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THE WRIGHT KEY TO DOUBLE ENTRY

WALL STREET EDITION

BY
PRINCE ALBERT WRIGHT
PRACTICAL BOOKKEEPER AND CONSULTING ACCOUNTANT

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I know there are to-day one thousand college graduates—some of them having graduated with honor at German universities—who are walking the stony streets of New York, and know not how to earn a living.

HORACE GREELEY.

If one tenth of the time consumed in the useless pursuit of the dead languages had been devoted to learning the simple science of double-entry bookkeeping, the great journalist would have been spared the regret it must have caused him to make such a declaration.

A few dollars expended in acquiring a business education will pay a larger annual dividend than one hundred times the amount otherwise invested. No man's education is complete without a knowledge of bookkeeping, hence it behooves every one to qualify in double-entry, acquiring a profession available through life.

UNIV. OF CALIFORNIA

THE PLAN OF THE WORK

is purely original with the author, peculiar to himself, and his experience being the sum and substance of what he has passed through as a business man, and hence knows it to be useful, and not what he has read or learned from hearsay. The main feature is dispensing with the old-fashioned daybook and old-fogy journalizing—something unknown in business, therefore nonsense extraordinary.

Another popular and redeeming feature, that must commend it to the esteem of everybody interested in accounts, is

THE APPENDIX,

containing over 500 questions, directing the reader's attention to points that should be remembered, and serving as a leader to guide him in pursuing the study without a teacher. The last few pages are devoted to the *Appendix*, which will make it a suitable text-book for schools.

On the right of each question are small figures indicating the page in the book on which can be found the answer thereto in substance, but not in so many words. Every question that can be asked on this subject has been anticipated and answered in the pages of this book. If the book is read thoroughly and comprehensively it will be an easy matter to frame correct answers to all the questions, and those who can do so may consider themselves thoroughly conversant with the principles of modern double-entry bookkeeping, and the business method of applying them.

ORDER OF READING.

1. Learn the definitions on pages, 17, 18, 19, 20, 21.

2. Commit to memory the EIGHT SHORT RULES on page 29. Thus, Debit whoever owes us, Debit whatever we receive, Debit Percentage we lose; then reverse the order and say, Whoever owes us we debit, Whatever we receive we debit, Percentage we lose we debit. Read the credit rules both ways also.

3. Familiarize yourself with the CLASSIFICATION OF ACCOUNTS (pages 28 and 29), both by their names and nature. The nature of a *personal* account is somebody whom *we owe* or somebody who *owes us*. The nature of a *representative* account is some-

thing that really exists and that can be received or given out. The nature of a *speculative* account is an imaginary amount which we make or lose, but cannot *receive* or *give out*. *Mdse.* is both a *representative* and a *speculative* account, as it is both *real* and *imaginary*. For instance, we buy $100 worth of goods, which we *receive* and is therefore *real;* to that extent we neither gain nor lose. We sell that $100 worth of goods, and therefore *give it out*, and that much is also real; but we sell it for $125, or whatever percentage we add as our profit, hence the $25, or the profit, is only an *imaginary* increase on the *real* $100.

4. Read thoroughly and comprehensively pages 31, 32, 33, 34, 35, and learn the four forms of Journal entries,—that is, learn how many *Debtor* accounts and how many *Creditor* accounts are required in each form, also how to read each: 1st reads, BLANK *Debtor, on one line, to* BLANK *Creditor, on the next line;* 2d reads, BLANK *Debtor to Sundries, all on one line;* 3d reads, *Sundries Debtor to* BLANK, *all on one line;* 4th reads, *Sundries Debtor to Sundries, all on one line.* In writing it on the books, instead of "*Blank*" you substitute a name in every instance. The lines are read as *Blank.*

5. Read slowly and studiously, not hurriedly and superficially, the description of all the books, noticing the peculiarities of each as to ruling, spaces, columns, etc., beginning with

CASH-BOOK	Pages	51, 52
TWO CASH-BOOKS UNNECESSARY	"	53
SALES-BOOK	"	54
JOURNAL	"	54, 55
LEDGER	"	55, 56
RULING THE LEDGER	"	56, 57
CHECK-BOOK	"	57
BILLS PAYABLE BOOK	"	60
BILLS RECEIVABLE BOOK	"	61

6. Study LEDGER ACCOUNTS ELUCIDATED, pages 105 to 113, learning what the debit side of each accounts means or represents, what the credit side represents, and what the difference between the two shows.

7. Take each question in the Appendix and find the answer thereto, according to the pages indicating where the answer can be found; also familiarise yourself with the forms of commercial paper, etc. This will necessarily give you a review of the entire contents of the book.

PREFACE.

THERE are already a sufficient number of works on bookkeeping, from a fine theoretical standpoint, before the public, to demonstrate clearly that theories alone are inadequate to its wants, and that no one can see in the application of these finely-drawn theories to the imaginary transactions therein given, many of which are far-fetched and stated in an unbusinesslike manner, anything touching upon or even approximating their own business experience.

Common to all the works we have seen on the subject is the great stress placed upon, and the importance attached to, the principles of Journalizing, to illustrate which all such works are necessarily encumbered with Day-Book writing—an old-fogyism entirely peculiar to themselves.

While the literal meaning of *journalizing* is entering in a Journal, it is commonly perverted to mean transferring entries from original books into a Journal under Ledger titles. In the latter sense of the word we condemn it as a nonsensical operation, fast becoming obsolete. Day-Book writing is something unheard-of in business, and journalizing of this kind is already a thing of the past—at least with modern bookkeepers, who keep abreast with the improvements of a progressive age.

We maintain that our books are all journals—that is, each is a Journal of the particular kind of transactions recorded therein,

and of course the moment the entry is made it is to all intents and purposes Journalized.

The old school of bookkeeping makes the Journal a general receptacle for everything, or a special vehicle for conveying everything into the Ledger, thereby clogging the wheels of rapid progress, while in business it is used as an independent record, standing on a level with Sales Book and Cash Book, having no intimate connection with either.

It will readily be seen, therefore, that by avoiding the circuitous route of the Journal, and posting directly from the original entry we obviate writing the same matter twice, accomplishing the desired result in a much more satisfactory manner, and in half the time.

They give you many logical arguments from which to deduce your own conclusion, where in this book you are presented with conclusions already reached. It is the province of this manual to combine the science and art of modern double-entry bookkeeping as practised in business. As a science it advances all the theories and principles of double-entry, thereby laying the solid groundwork upon which is constructed, in artistic style, a full miniature set of books, in which the principles are applied and exemplified, showing the opening of a set of books, many current entries in great variety, the monthly and final closing, also reopening, etc.

It was originally designed for exclusive use in connection with the author's PRIVATE COURSE OF PRACTICAL INSTRUCTION IN DOUBLE-ENTRY BOOKKEEPING, but as there are many who do not feel able to incur the expense of such a course, and many others who find it impracticable to do so, it is offered to all who desire to take the initiative step in mastering the theories and principles of double-entry, without which it is impossible to ever become proficient bookkeepers.

If we learn the principles, we have laid the theoretical cornerstone upon which to build successfully a superstructural practice.

It will doubtless prove to be the *desideratum* of those having some knowledge of the subject desiring further information on the special points herein elucidated, while its simplicity will make it specially adapted to the wants of those having their first lesson in bookkeeping yet to learn.

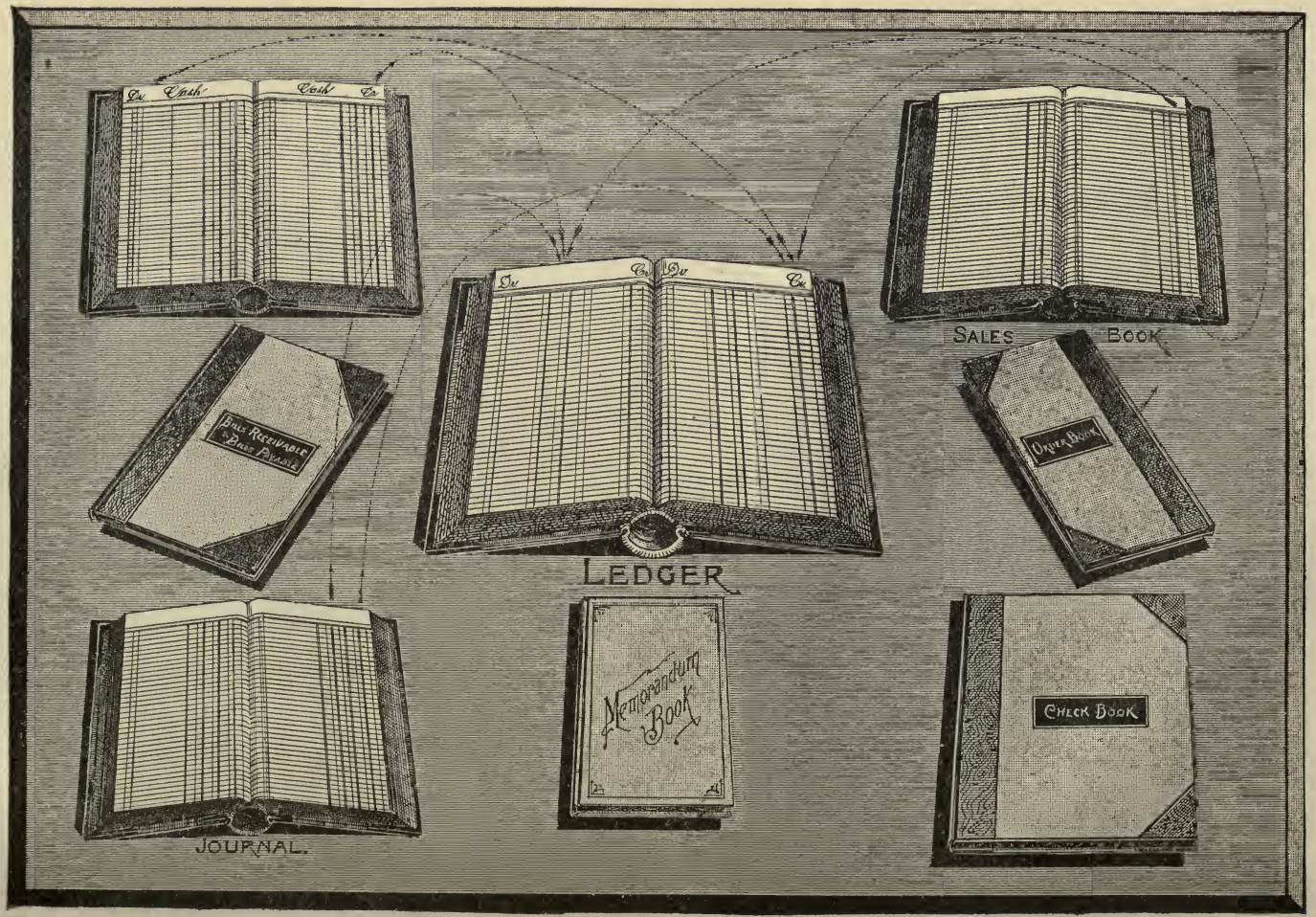
To learn book-keeping properly, one must keep books, and to meet that requirement, there are two extra sets introduced for the student's practice. It is a well-understood principle with experienced accountants, that a routine in double entry, once established, would be simply a matter of repetition ever afterwards, during the continuance of the business; and for that reason, in creating an imaginary business and suggesting such transactions as are necessary to produce a set of books that would be in every way businesslike, there will be unavoidable repetition of many words and phrases necessary to explain them, which would be condemned as unpardonable tautology by scientific writers who carry a large stock of synonyms in which to express and embellish their ideas. We are rich in experience in the art of book-keeping, but our inexperience as a writer accounts for the impoverished condition of our vocabulary, and the plain matter-of-fact way we have of telling what we know; which could be made to seem more erudite, if clothed in the rich verbiage and measured by the beautifully rounded periods of those whose business it is to write according to the strict rules of rhetoric. We hope to render a permanent service to those who seek to learn that which they do not already know, and we feel assured that those who are in any way interested in that which has been our life's work—book-keeping—will read and practise these pages with a fascinating interest they never experienced in the perusal of any other book, and therefore commend it to them as being worthy of a place in their curriculum of studies.

In submitting this little volume for the kind consideration and patronage of a discriminating public, it is hoped they will

> "Not view it with a critic's eye,
> But pass its imperfections by,"

as it is not compiled from more voluminous works, like many others that are constantly springing into existence with the spontaneity of mushroom growth; nor is it the result of deep research and study of the text, but the spontaneous outgrowth of many years' experience and assiduous toil at a book-keeper's desk by

THE AUTHOR.


Dr Cash Cash Cr
Bills Receivable Book
Dr Cr Dr Cr
LEDGER
SALES BOOK
Order Book
JOURNAL.
Memorandum Book
Check Book

SYNOPSIS.

PLAN of the work—Abbreviations and signs used in business—Model private counting-room illustration—Nomenclature of bookkeeping—Press copying—Origin of double entry—Necessity, the mother of inventions—Bookkeeping in its simplest sense—A question in which all have a personal interest—Bookkeeping as a profession—The most essential qualifications of a good bookkeeper—A poem, not a drudgery—Business men—Importance of bookkeeping estimated—Practical hints to bookkeepers—A good motto—Duty as successor—Fallacious methods exposed—Classification of accounts—Firm name conspicuous in its absence—The great principle underlying double entry—Eight short rules, the finest in the land—Six supplementary rules affecting personal accounts—Other signs of debit and credit—THE SIMPLE VERSUS THE INTRICATE—Journalizing made easy—Four forms—Eight infallible principles—First part and counter-part of an entry explained—A feature peculiar to all journal entries—Debtor and creditor made plain by impersonating accounts—Books necessary to complete a set—Rule for opening books—Absurdity of a "Stock" account—Rules for closing books—Rules for reopening books—How to refer to accounts in the ledger without using index—Difference between single entry and double entry—Fourteen simple rules governing experts in adjusting books that have been kept by single entry—Changing single entry into double entry—Trial balance, when and how often made—Its twofold object—How to proceed in making it—Four-column trial balance explained; its advantages over ordinary kind—How we know what the footing of trial balance will be in advance, that is before drawing it off—Rules by which any error may be detected in a trial balance—Rules for making a balance sheet—When red ink should be used—Cash-book described—The right and the wrong way of managing discount column in cash-book—Two cash-books unnecessary—Sales-book, also journal described—The ledger, the finest description ever given of this important book—A season, what it means—Ruling the ledger, how it should be done—The time for ruling it—Few rule at the proper time—Check-book how managed—Work usually done on check-book that is superfluous—Love's labor lost—Lost checks—How to restore certified checks if not used—The bank-book (or pass-book) how to balance it—The most complete explanation ever given which alone is worth the price of this book—Receipt-book, bills payable, bills receivable, invoice and accounts receivable books all fully described—Filing papers, the right way and wrong way shown in pictures—Assistant bookkeeper's duties defined—A full miniature set of books, showing all the entries from the opening to final closing—Office routine—When special columns would be used in the journal, how to arrange them; a false method by a pseudo author—Terms, what it means and how stated—Dating ahead—Matters not entrusted to a bookkeeper—*Transcript*, when such a book is used—The original form of ledger continued in its pristine simplicity—How to collect notes due at a distance—Superfluous columns in ready made bill-books—Ledger accounts elucidated; more information on this subject than is contained in all other publications combined—Department accounts, how managed—A system of checking long ledger accounts when differences arise in settlements—Trial balance book described, and why not recommended—Order book and memoranda book described—Commercial correspondence; many forms given of high toned dignified business letters—Commercial papers; various kinds shown—Mercantile calculations covering percentage—Short multiplication, cancellation—Foreign money: Francs, Marks and Sterling how reduced to currency—Averaging accounts—Mathematical wonders. These many topics are woven into the most fascinating and instructive story you ever read.

ADDENDUM.

ABBREVIATIONS 22
A Bookkeeper's Prerogatives 270
Another So-Called" System" 279
A Hint in Writing Letters 284
A Misused Abbreviation 278
Branch Houses 292
Contingent Liability 274
Discipline 285
"Dr," "Cr," "To," and "By" Must Not Be Omitted 282
Erasures 276
Examination for Bookkeeper's Position 290
Expert Accountants 292
Fraud—How Detected—How Prevented 287
In Liquidation 248
Imperfect Articulation 274
Method 271
Mathematical Paradox 281
No Single-Entry Trial Balance 247
Not Infallible 247
Sales Sheets 283
Stand Aloof 286
Three Days of Grace 279
Two Pen Pictures 288
The Best Way to Subtract 282
Uniformity 272
Up-End Down 273
Wright's Protégé 289
WALL STREET METHODS ..... 295 to 345

CONTENTS.

A

A Common-sense View of Bookkeeping 23, 24
Acceptance 137
Accommodation Paper (Fourth Afterthought) 227
Account Sales 235
Accounts Receivable Book 130
Appendix ..... 346 to 368
Advantage of Double Entry (Eighth Afterthought) 245
Assistant Bookkeeper's Duties 123
Averaging Accounts 145

B

Balance Sheet, Single Entry 131
Balance Sheet (Artistic and Ordinary) 116, 117
Bank Book 58
Bill or Invoice 139
Bills Payable Book 60
Bills Receivable Book 61
Bookkeepers 24
Bookkeeping as a Profession 24
Bookkeeping Phraseology ..... 17 to 21
Books necessary to complete a Set 41
Business Men 25

C

Cash Book 51
Certificate of Deposit 138
Chartered Accountant 91
Changing Single Entry into Double Entry 46
Check Book 57
Classification of accounts 28

Closing Books 43
Commercial Correspondence ..... 132 to 136
Commission Business ..... 233 to 237
Course of Practice ..... 149 to 227

D

Debtor and Creditor 36
Department Accounts 112
Detecting Errors in Trial Balance 49
Double Entry 29
Draft 137
Due Bill 138
Duty as Successor 27

E

Eight Short Rules 29
Eight Infallible Principles in Journalizing 33
Eighth Afterthought 245

F

Filing papers 129
Firm Name 29
First Afterthought 226
Fifth Afterthought 227
Forms of Commercial Paper 137
Fourth Afterthought 227
Foreign Exchange Rules 143
Fourteen Rules in Single Entry 46, 47

G

General Debtors (see Chartered Account) 91

H

How to refer to Accounts without the Index 46
How to check Long Ledger Accounts 113

I

Importing Business 268
Importance of Bookkeeping 25
Interest Rules 144, 145

Invoice Book 62
I. O. U. 138

J

Joint Stock Accounts ..... 249 to 268
Journalizing made Easy 31
Journal 54, 77, 78

K

Key to Puzzling Rules 121

L

Ledger 55, 92
Ledger Accounts elucidated ..... 105 to 113

M

Manufacturing Business ..... 229 to 233
Memorandum Book 128
Mercantile Calculations ..... 140 to 147
Miniature Set of Books:
Accounts Receivable Book 130
Bank Book 124, 125
Balance Sheet 116, 117, 131
Bill Books 126, 127
Cash Book 64, 65, 66, 67, 68, 69
Check Book ..... 118 to 121
Journal 79, 80, 81, 82
Ledger ..... 93 to 104
Sales Book 86, 87, 88, 89
Trial Balance 114, 115, 201

O

Office Routine 76
Office Routine illustrated ..... 241 to 244
Opening Books ..... 42 and 155
Order Book 128
Order of Reading 5
Other Signs of Debit and Credit 30
Outstanding Accounts (Seventh Afterthought) 245

P

Petit Accounts.....110, 111
Personal Accounts..... 28
Plan of the Work..... 5
Practical Hints to Bookkeepers..... 26
Preface..... 7 to 9
Press Copying..... 149
Profit and Loss..... 111

R

Receipt Book..... 60
Red Ink, Use of..... 50
Reducing Foreign Exchange to U. S. Currency..... 143
Reopening Books..... 45
Representative Accounts..... 28
Ruling the Ledger..... 56

S

Sales Book.....54, 83, 84, 85
Scientific Terminology.....17 to 21
Second Afterthought..... 226
Seventh Afterthought..... 245
Sixth Afterthought..... 228
Shipping Ticket..... 240
Speculative Accounts..... 28
Stock..... 43
Statements.....139, 228
Synopsis of Contents.....12, 151 to 154

T

Trial Balance Book..... 122
Trial Balance explained.....90, 91, 247
Trial Balance (Four Column and Ordinary).....114, 115, 201
Transcript Book..... 85
Two Single Entry Propositions..... 150
Two Cash Books unnecessary..... 53
The Simple versus the Intricate..... 63
Third Afterthought..... 226

W

When Personal Accounts are debited or credited..... 30
Wonders of Mathematics.....147, 230

BOOKKEEPING PHRASEOLOGY

OR

SCIENTIFIC TERMINOLOGY

USED IN

ACCOUNTING.

The black words on the left are those by which we express ourselves in bookkeeping sense, the ordinary matter on the right is the conversational expression of the same ideas.

ACCOUNT.—The name of any person, place, or thing representing a collection of certain amounts affecting the same name, either debit or credit, or both. Every account has two sides—debit and credit.

ACCEPTANCE.—A draft across the face of which has been written, usually in red ink, the following matter, viz.: "Accepted —— [give date of acceptance]; payable at —— [state whether at office or bank]; —— ——" [sign firm-name on whom it was drawn].

ACCOUNTS PAYABLE.—Parties we owe in open account on the Ledger.

ACCOUNTS RECEIVABLE.—Parties owing us in open account on the Ledger, and the *contra* of Accounts Payable.

ACCOUNT CURRENT.—A running account; that is, a statement of a running account, usually rendered at the end of each month, showing date and amount of each item of debit and credit for the current month, and the balance.

ACCOUNT SALES.—A statement of sales made for account of

others, giving all the particulars of the sale, also showing the expense incurred from the time goods were received until sold, including our fee for selling them, which is called *Commission*, and the remainder, after deducting all charges, which is called *Net Proceeds*.

AUDITING ACCOUNTS.—A general examination, comparing charges with vouchers, passing upon their correctness or incorrectness.

ASSETS.—See RESOURCES.

AVERAGING ACCOUNTS.—Fixing a date upon which a number of amounts occurring on different dates, and having different time to run, would amount to the same thing as if the total of all the amounts had occurred on one date.

BALANCE.—Difference between the debit and the credit side of any account. The remainder, after deducting the smaller from the greater amount.

BALANCE SHEET.—An annual or semi-annual statement; a final exhibit at the end of a season, showing gains or losses, resources and liabilities, net worth or insolvency.

BILL.—Statement of items, showing date and amount of obligation—*Invoice*.

BILL CLERK.—One who makes out bills, or copies on billheads the entries on Sales Book.

BILLS PAYABLE.—Our note or acceptance; that is, our written promise to pay.

BILLS RECEIVABLE.—Another individual or firm's note or acceptance; that is, their written promise to pay.

CALL CLERK.—One who "calls off" the goods to be charged; that is, describes the goods by name, number of pieces, number of yards per piece and price sold at; if not sold by piece, state other facts corresponding in effect thereto.

CASH.—Ready money, including checks, due bills, etc., convertible into ready money on presentation to the proper party at the proper place.

CERTIFICATE OF DEPOSIT.—Form of commercial paper issued by banks to parties who do not have a bank account.

CHARGE.—Synonymous with Debit—which see.

CHECK.—An order on a Bank.

CLOSING AN ACCOUNT. — Drawing red lines under the amount on both debit and credit side, always ruling first on the side on which the entries extend farthest down the page, and making the other side agree by ruling on same lines. See remarks on ruling Ledger Accounts.

CREDIT.—Entering an obligation in favor of another.

CREDITOR.—One who is owed, or to whom another is under obligation.

"CREDIT BY."—A phrase used in ledgerizing or posting on the credit side.

DEBIT.—Entering an obligation against a debtor—CHARGE—the former being used in posting, and the latter in making entry on original book.

DEBTOR.—One who owes, or who is under obligation to another.

"DEBTOR TO."—A phrase used in posting on debit side of an account.

DISCOUNT.—A certain percentage deducted from any amount due at some stated time in the future to reduce it to cash value. In discounting commercial paper it is a certain per cent per annum; but in discounting open accounts it is a certain per cent of the face of the amount according to the terms specified when the indebtedness was contracted.

DOUBLE ENTRY.—An entry affecting two or more accounts, part debtors and part creditors, but equal in amounts.

DRAFT.—An order on a second party to pay to a third a specified sum of money at a stated time. There are three parties to a draft: the *drawer*, who signs his name in the lower right-hand corner; the *payor*, on whom the draft is drawn, and whose name and address are written in the lower left-hand corner; and the *payee*, whose name is written in the body of the draft, and in whose favor the draft is drawn. The peculiar location of the names and the wording, as to time, is what characterizes it as a draft.

ENDORSE.—To write name across the back of any class of commercial paper.

ENTERING GOODS.—Making a record on Sales Book.

ENTRY.—A record of a business transaction.

ENTRY CLERK.—One who records a sale.

EXCHANGE.—A peculiar form of commercial paper used by banks in transmitting money from one to another; also a *fee*, charged by banks for collecting drafts or "out of town" checks—that is, checks on banks in other towns foreign to the place of their location.

EXPENSE.—That which requires an outlay of money for which we get no direct returns. Consumed in carrying on the business.

INVENTORY.—A statement showing all the goods on hand, in detail, at cost price.

INTEREST.—A certain percentage per annum added to any amount after maturity, for usage of same during the time for which the interest is added.

INSOLVENT.—Without capital.

JOURNALIZING.—Arranging accounts in books of original entry under Ledger titles.

LEDGER ACCOUNTS.—An account (which see) transferred to the Ledger, usually at top of the page, and occupying the most prominent space between *Dr.* and *Cr.* A place for concentrating all amounts affecting any account appearing from time to time throughout all books of original entry.

LIABILITIES.—Indebtedness. What we are liable for as payors.

MDSE.—The commodity in which we are dealing; that is, buying to sell again.

NOTE.—A written promise to pay.

OFFICE FURNITURE.—Common name given to all articles of furniture in the office.

ON ACCOUNT.—Part of an account—meaning that there is a Ledger Account already existing, or that one is to be opened.

OPENING AN ACCOUNT.—Writing it for the first time in any book of original entry in a relative position to other accounts, from which it is transferred to the Ledger, and not writing it in the Ledger for the first time—as is erroneously claimed by some. Writing it in the Ledger is of course opening the Ledger Account; but inasmuch as no entry is made in the Ledger until first made in some book of original entry, the account must be first opened apart from the Ledger.

POSTING.—Transferring dates, names, and amounts from original entries into the Ledger. Ledgerizing.

PROCEEDS.—What is left after deducting all charges or expenses in any transaction.

PER CENT.—On or by the hundred, applied not only to money, but any operation in which reference is made to 100 as a unit of comparison.

RATE PER CENT.—The number of hundredths under consideration.

RESOURCES.—Persons owing us, and what we possess. Our effects. Assets.

RECEIVING CLERK.—One who receives goods, checks each item on Invoice, "O. K.'s" it, and signs his initials, after which he turns it into the office for the bookkeeper's attention.

SOLVENT.—Able to pay indebtedness.

SUNDRIES.—In common parlance, Sundries means various articles; but in bookkeeping phraseology it refers to accounts only —meaning two or more are under consideration.

SHIPPING CLERK.—One who attends to packing goods, marking the cases, and getting receipt from transportation company.

SUSPENSE.—An account representing doubtful assets or long standing accounts, which for any reason are held in suspense awaiting final adjustment.

TAKING STOCK.—Preparing inventory; that is, finding out how many articles of merchandise we have on hand of each kind at the cost price.

"TEAM."—Entry clerk, call clerk, and bill clerk constitute a team.

TRIAL BALANCE.—A monthly statement containing every unbalanced account in the Ledger, showing balance, either debit or credit, in each.

"TO BALANCE ACCOUNT."—Place a sufficient amount on the smaller side to make it equal to the greater.

WITHOUT RECOURSE.—Not liable as payor of any paper on which our name appears as endorser.

ABBREVIATIONS AND SIGNS USED IN BUSINESS.

Acct. or a/c. Account
Ad. Advertisement
Am't Amount
Av. Average
Bal. Balance
Bk. Bank
Bo't. Bought
B.P. Bills Payable
Bro't Brought
Bro. Brother
Bros. Brothers
B.R. Bills Receivable
Cash'r Cashier
C.B. Cash Book
C. & C. Case and Cartage
Chg'd Charged
Ck. Check
C. O. D. Collect on delivery
Co. Company
Coll. Collect
Col. Column
Cr. Credit
Ctge. Cartage
Da's Days
Dep. Deposited
Dft Draft
Disct'd Discounted
Dis. Discount
Del'd Delivered
Do Ditto
Doz. Dozen
Dr. Debit or Debtor
Ea. Each
Ent. Entered
E. & O. E. Errors and Omissions Excepted
Exch. Exchange
Exp. Expense
Expr. Express
Fol. Folio
Forw'd Forward
Frt. Freight
Fur't Furniture
Ins. Insurance
Inst. Instant, present time
Int. Interest
Inv. Invoice
Jo. Journal
Mdse. Merchandise
Memo Memorandum
M'f'g Manufacturing
Mo. Month
Nat'l National
No. Number
O. B. Order Book
O.L. Old Ledger
O. K. "Oll Korrect," right
Pay. Payable
Pay't Payment
P. C. Postal Card
Pc's Pieces
Pd. Paid
Pkg. Package
P. & L. Profit & Loss
Pp. Prepaid
Pro. Proceeds
Prox. Proximo, next month
Pt Pint
Pr Pair
Qt Quart
Rec. Receivable
Rec'd Received
Ret. Return
Ret'd Returned
R. R. Rail Road
S. B. Sales Book
Sec. Secretary
S/d Sight Draft
St. Sight
Stm't Statement
Sunds. Sundries
Supt. Superintendent
T. B. Trial Balance
Trans'd Transferred
Trans. Transfer
Ult. Ultimo, last month
Wk Week
@ At the rate of
% Per cent
# Number
" Ditto
∾ Nothing omitted
✓ Check mark
✓✓ Double check
+ Addition
− Subtraction
× Multiplication
= Equal to
& And

COMMON-SENSE

VIEW OF

BOOK-KEEPING

FROM

A BUSINESS STANDPOINT.

It is the universal custom of thinking minds pursuing any vocation in life to make a memorandum of everything they do, see, or hear, worthy of note, which they desire to remember. In commercial pursuits especially a memorandum is kept of such facts as have a pecuniary connection with the business, to which we can revert and refresh our memory, and the inspection of which at any time will reveal the true state of our business and property.

The multiplicity and recurring frequency of these memoranda require they should be kept systematically, to enable us to find them readily and place them at our command. This being a necessity, the first bookkeeper probably invoked the prolific mother of inventions for assistance, and was presented with a beautiful system of accounts, called by common consent *Double Entry.*

Bookkeeping, therefore, in its simplest sense is nothing more than making a memorandum of important facts, keeping in chronological order a record of everything transpiring in our business, whereby our interest is affected, either favorably or adversely.

Bookkeepers are supposed to be informed of every transaction that takes place, which they will never entirely forget during their connection with the business; but to remember the dates, amounts involved, and important particulars in so many instances would be an impossibility; hence bookkeeping was instituted to assist their memory.

It is a duty every one owes himself before *starting in life*—undertaking to carve out his own fortune in the great stone quarry of the world—to acquire a thorough knowledge of accounts. How to acquire this knowledge, therefore, in the shortest time and at the least expense is a question in which every one should have a personal interest. The answer to this great question can be summed up as follows:

The best way to learn bookkeeping is in the counting-room of some large mercantile establishment, which of course would require opportunity and a long term of unremunerative service.

The next best way is to enter as a student the private counting-room of an experienced accountant, who knows what a bookkeeper's duties are, and how to define and point them out to others with clearness and intelligibility.

The reader has adopted the next best way as an ultimatum, by reading "BOOKKEEPING SIMPLIFIED, OR JOURNALIZING MADE EASY."

BOOKKEEPING AS A PROFESSION.

Generally speaking, everything is prized according to the amount of labor and expense required in obtaining it; hence the modest profession of bookkeeping is not so highly esteemed as the proud professions of law and medicine, but equally honorable and respectable, and if pursued with fidelity leads to high positions of honor and trust. It has suffered more, however, through the defence of incompetent friends than it could have suffered through a persistent onslaught of adverse critics.

BOOKKEEPERS.

A bookkeeper is not a mere automaton, capable of performing the machine work in bookkeeping, as it were perfunctorily, but in a higher and stricter sense of the word he is one whose quick perception enables him to comprehend the situation at a glance, and

whose tact renders him capable of readily adapting himself to it; one who is thoroughly enlisted in the cause of his employer, and duly impressed with the importance of his position—to whom bookkeeping is a poem, not a drudgery.

In the former sense *Bookkeeper* is a misnomer, worn threadbare by frequent use, and to a certain extent has brought the profession into disrepute.

The most essential qualification in a good bookkeeper is a still tongue and strong decision of character, incapable of becoming too intimate with the principals of other departments, or too communicative to outsiders, whereby he might divulge secrets of the business known to him through and by virtue of his confidential position.

BUSINESS MEN.

Every man in business for himself should understand bookkeeping, in order to understand how to properly direct the management of his own accounts: those who do not are liable to become victims of dishonest employés, who may practise a system of false entries, entailing serious loss—in fact, ultimate financial ruin.

IMPORTANCE OF BOOKKEEPING.

The importance of bookkeeping cannot be overestimated: it will be more fully appreciated when contemplated in connection with the fact that it is estimated but three men out of every hundred end their business career financially successful, who can to a certain extent attribute their ultimate success to a skilful management of their accounts.

On the other hand, the great majority who fail enter business without duly considering the importance of this prerequisite to success, and sooner or later discover to their sorrow that natural

abilities will not supply the deficiency or preserve the intricacies of business matters from inextricable confusion, culminating in a financial wreck.

PRACTICAL HINTS TO BOOKKEEPERS.

It is a bookkeeper's duty to record, not to make, transactions. Never put on record anything that comes to you verbally, but require a memorandum of the facts from the proper party to the transaction, which to file as a voucher for its authenticity and a means of self-protection.

File all memorandums, even of the most trivial nature, for reference.

Always require receipt for payments in currency or by check made payable to bearer. See remarks on RECEIPT BOOK.

Never sign receipt for money received by others without seeing it properly entered on Cash Book for obvious reasons.

Never credit an Invoice until it has been properly checked and O. K.'d by the receiving clerk, and you have satisfied yourself that the prices and extensions are correct.

Never use the abbreviation "*do.*" or the sign (") for figures, as it is quite as easy to make figures as the substitutes; besides, the sign (") is often used when an amount is purposely omitted, and therefore means nothing.

Always insert ciphers in amounts without cents; if they are omitted, it looks like an unfinished amount.

Never use the abbreviation "*No.*" in connection with figures; as figures themselves are the numbers referred to, and to use both would be the same thing as drawing a picture of a donkey and then writing "This is a donkey." Although the words might refer to the picture, they might also be construed as referring to the artist (?).

When the figures are to appear as a subsequent consideration, it is proper to use "*No.*" to indicate where they are to be located.

Always begin a new month on a new page; on all books of ori-

ginal entry never begin on part of an unfinished page of preceding month.

Speak the truth at every call;
A good motto—forget it not:
By its results either stand or fall;
Both abuse and praise it hath begot.

DUTY AS SUCCESSOR.

First thing in assuming charge of a set of books kept by another is to see if the cash is straight; that is, see if the difference between the Debit and Credit side of Cash Book agrees with the actual amount of cash on hand. If not, report the discrepancy at once to the proper authority, who will have it properly adjusted. Begin on a new page with the actual balance on hand.

Then look carefully through your Ledger to see what accounts have been opened and remain open, familiarizing yourself with them as soon as possible. It is better to learn them from the Ledger than from the index, as the latter may contain accounts that have been discontinued—that is, closed, not to be reopened.

It is by no means necessary to make a *Trial Balance*, as claimed by a modern writer evidently *of limited experience*, as the books are assumed to be correct if cash is in proper shape. If, however, you have an error in your first *Trial Balance*, it is then time enough to locate it and all others that may have existed prior to your stewardship.

If such error is not found in the work of the current month it will be necessary to get your predecessor's Trial Balance for the previous month and prove its correctness. If found to be incorrect, report it at headquarters, and it will then become the work of an expert to trace the error to its origin, ferreting out all others that may have existed possibly from the beginning of your predecessor's term of service.

You would not be expected to assume the duties of an expert in connection with your own—that is, keeping up the current work.

The science of Double Entry is the same throughout the business world, but few bookkeepers follow the same routine. If you are required to adopt the routine already established, it will be an easy matter, provided you thoroughly understand your business, having a precedent to guide you in the work of the retiring official.

CLASSIFICATION OF ACCOUNTS.

We have already seen that every Ledger account has both a debit and credit side, the different natures of which will be easily understood when it is known that all accounts can be classified under two principal headings called PERSONAL and REPRESENTATIVE, the debit balance in each meaning either an *asset* or a *loss*, and the credit balance meaning either a *liability* or a *gain*. For a full explanation of the subject, see article on *Ledger Accounts Elucidated*, on another page.

The REPRESENTATIVE accounts are divided into two classes—those having a tangible existence in the *values* named, and those of a fictitious nature—that is, having only a nominal existence.

The latter we will call SPECULATIVE accounts, the chief of which is *Profit and Loss:* all others of that nature being branches thereof, or tributaries thereto. The *Speculative* class, therefore, will include all the accounts that represent either a profit or a loss, and all others will represent either assets or liabilities.

There are a few of the *Representative* class that have a dual nature; that is, they may first show either a profit or a loss, after which they show part of the assets, such as *Merchandise*, Real Estate, and all those in which there appears an *Inventory*.

In order to formulate a rule for handling or referring to accounts intelligibly, it is necessary therefore to classify them under the following names:

PERSONAL.
SPECULATIVE.
REPRESENTATIVE.

PERSONAL accounts will refer to those with individuals, firms, or corporations.

SPECULATIVE will refer to all accounts representing a gain or loss, such as *Mdse.*, *Expense*, *Interest*, *Discount*, *Commission*, *Exchange*, *Insurance*, etc. See subdivisions of EXPENSE, page 106.

REPRESENTATIVE will include all others, such as *Cash*, *Bills Receivable*, *Bills Payable*, *Office Furniture*, or any account representing certain values.

THE FIRM-NAME.

Our firm-name never appears on the books as a firm, but in its constituent members and component parts. By component parts is meant in this connection accounts that represent the firm. See REPRESENTATIVE and SPECULATIVE accounts.

When we say Cash is debtor to whomsoever pays us, we mean our firm is debtor to that party; but when we say Cash is debtor to Mdse., we mean the same thing as if we had taken a certain sum from one pocket and put it into another.

DOUBLE ENTRY.

Recording a transaction so as to affect two or more accounts, the amount of debits being equal to the amount of credits.

The first law of Double Entry is every debit amount, in one account must have a corresponding credit amount in some other account, and *vice versa*.

The great principle underlying the beautiful system of Double Entry bookkeeping is, whoever or whatever *owes* is a debtor, and whoever or whatever *is owed* is a creditor.

Applying this principle to our books, every charge or debit and credit we make is governed by the following:

EIGHT SHORT RULES.

DEBIT.		CREDIT.
Whoever owes us. <—	PERSONAL. —>	Whoever we owe.
Whatever owes us.	REPRESENTATIVE.	Whatever we give out.
Whatever we receive.		Whatever produces value.
Percentage we lose. <—	SPECULATIVE. —>	Percentage we make.

(Read NINTH AFTERTHOUGHT, on page 294.)

WHEN PERSONAL ACCOUNTS ARE DEBITED OR CREDITED.

In addition to the *eight short rules* for debits and credits it will be well to remember that there are four conditions under which we debit personal accounts, and four similar conditions under which they are credited, viz.:

DEBITED.

1. When we sell a party goods on account.
2. When we pay them.
3. When they made us an allowance of discounts, or for damages, or otherwise.

The first two rules might be more comprehensive under the statement, When we deliver a party anything, they are charged with whatsoever it might be.

4. When we render a service.

CREDITED.

1. When we buy goods from them on account.
2. When they pay us or when they deliver anything to us.
3. When we make them an allowance of discount or for damages, goods returned, or in any way reduce their indebtedness.
4. When a service is rendered us.

OTHER SIGNS OF DEBIT AND CREDIT.

All accounts preceding the abbreviation *Dr.*, and preceded by the capitalized *By*, are to be debited in posting.

All accounts preceded by the word *To* are to be credited in posting.

The left-hand column or side is for debits, and the right-hand column or side is for credits, throughout all the books.

JOURNALIZING MADE EASY.

Journalizing is conceded to be the most difficult part of bookkeeping. By following the suggestions herewith given, any person having a common-school education can Journalize any transaction if put in possession of all the facts connected therewith, showing what accounts are affected, from which it is easy to conclude, correctly, how they are affected by the application of the *eight short rules* for debits and credits to be found on page 29.

The principles of Journalizing consist in the proper arrangement of accounts in original entries under Ledger titles, according to the system of Double Entry.

Every transaction necessarily affects two or more accounts, otherwise it cannot be a double entry; it must contain at least one debtor and one creditor; possibly one debtor and two or more creditors; two or more debtors, and one creditor; or two or more debtors, and two or more creditors.

It will readily be understood, therefore, that there are four propositions necessitating four forms of Journal entries, in making which there are three contingencies to be considered.

1st. How many accounts will be affected by the transaction to be recorded.

We determine how many accounts there will be in our Journal entry by the number of *amounts* we have under consideration, as each *amount* must have a *name*, by which it is identified or understood, and the *name* with the *amount* is what is meant by *account*. Every transaction necessarily gives rise to certain lines of figures, called *amounts*, and the figures have *names* indicative of what they are or represent. When there are *three* (or more) lines of figures under consideration, they give rise to a *fourth* (or one more) in the total, which will also have a *name*, by which it is understood. If only two Amounts are given, they give rise to a *third* in either their total or difference between them, which total or difference will also mean something: hence will have a *name*. If only one amount is given, it must have *two names:* one a debtor and the other a creditor; for instance, we buy $500 worth of goods of the Wright Manufacturing Co., for which we owe them.—($500

being understood and not repeated in stating the facts). The $500 worth of goods we call *Mdse.*, and the $500, which it is understood we owe them, would be called by their own *name;* hence their account and *Mdse.* account.

The names of accounts would be suggested by the requirements of the business. The bookkeeper does not create accounts to suit himself, but the proprietor tells him what accounts to open, to show certain results that he wishes to know at the end of the season, if he knows anything about business; if not, the bookkeeper must anticipate his wishes, and adopts suitable names to represent the results that would doubtless be inquired about.

2nd. We must determine what they are and to what class they belong.

When we have the name of a person or firm under consideration it is simply a question as to whether *we owe them* or *they owe us*, to determine which a knowledge of bookkeeping is not necessary; but when we apply our two rules affecting the *personal classification* on page 29, we can determine what to do with it from a bookkeeping point of view. When we have a *percentage* under consideration, which means an imaginary amount representing a gain or loss, the only question is, do we *gain it* or *lose it*, which we could also easily determine in our own minds without understanding bookkeeping. Then by applying the last two rules on page 29, which apply to the *speculative classification*, we can determine whether to debit it or credit it. If we have under consideration the name of some real thing that we can handle, the question is, how do we handle it,—*do we receive it* or *do we give it out?* We can conclude at once in our own mind, and then apply our rules affecting the *representative classification* on page 29.

3rd. How they are affected whether debited or credited, disposing of SPECULATIVE accounts first, in reaching a conclusion, REPRESENTATIVE next, and PERSONAL last.

An account is *benefited* when it is credited, and is *accountable* or *responsible* when it is debited.

When a transaction is stated, we conclude what accounts are affected by applying the following

EIGHT PRINCIPLES.

1st. If we *receive* something and *give* nothing in exchange for it, we certainly must *owe* whoever delivered it to us; hence the rules *Debit whatever we receive*, and *Credit whoever we owe.*

2nd. If we *receive* something and *give* something in exchange therefor, then we *do not owe* any one, and for that reason no *personal* account can be affected; but it is an issue between *what we receive*, which must be *debited*, and *what we give out*, which must be *credited.*

3rd. If we *give out* something and *receive* nothing in exchange for it, then the *person* to whom we deliver it *must owe* us; hence *credit whatever we give*, and *debit whoever owes us.*

4th. If we *give out* something and *receive* something in exchange, then no one owes us; hence no *personal* account could be affected, as it is an issue between what *we give out* and what *we receive.*

5th. If we *owe* somebody without receiving anything from them, it must be a matter of loss to us; for that reason, *debit percentage we lose*, and *credit whoever we owe.*

6th. If somebody *owes us*, for which we have delivered them nothing, then we must have *gained* whatever is the amount; hence *debit whoever owes us*, and *credit percentage we gain.*

7th. If we *receive* something and neither owe for it nor *give* anything in exchange for it, we must have *gained* the amount *received;* it is then an issue between *whatever we receive*, *which we debit*, and *percentage we gain*, *which we credit.*

8th. If we *give out* something and *receive* nothing in exchange for it, nor does any one owe us for it, then we must have lost that amount; hence an issue between *whatever we give out*, *which we credit*, and *percentage we lose*, *which we debit.* Thus it will be seen that both a debit rule and a credit rule are brought to bear on every transaction.

Having settled these facts, we next determine what the construction of our Journal entry will be, which will be governed by the number of debtors and creditors that will appear therein, according to the following four formulæ:

FIRST FORM.

If one debtor and one creditor, the construction of the entry will be

[redacted]	Dr.	$000
	To [redacted]	$000

That is, the name of the debtor will be written on first blank line, and the name of the creditor to the right on the next line. *To* being written immediately under *Dr.*

SECOND FORM.

If one debtor and two or more creditors, the construction will be:

[redacted]	Dr. to Sundries,	$000
	„ [redacted]	$000
	„ [redacted]	$000

The name of the debtor will appear on first line, with *Dr. To Sundries* on same line, followed by the name of each creditor on a separate line under the word *Sundries.*

THIRD FORM.

If two or more debtors and one creditor, the construction will be the reverse of *second form;* that is, *Sundries Dr. To* will appear on first line, followed on same line by the name of the creditor, and the name of each debtor will appear immediately under *Sundries*, each occupying a separate line, as follows:

Sundries Dr. to [redacted]		$000
[redacted]		$000
[redacted]		$000

FOURTH FORM.

This is the most complicated Journal entry that can be made, and will contain two or more debtors and two or more creditors, the construction of which will be:

SUNDRIES DR. TO SUNDRIES.

		$000
		$000
	To	$000
	"	$000

The names of the debtors appearing first each on a separate line, and the names of the creditors to the right in the order of blank lines, each also occupying a separate line. The term *Sundries* never appears on a line by itself, except in *Fourth Form*, in which it occurs twice.

There is one feature peculiar to all Journal entries; that is, the debtors always appear first, and the creditors as far to the right as the figures in the right-hand or credit column are from the figures in the left-hand or debit column on a straight line throughout the page. *Two accounts should not appear on the same line.*

In posting from the Journal we dispose of each account in the order in which it occurs in the entry. "Sundries" is not an account, but a figure-head indicating two or more accounts are under consideration. In *Fourth Form*, therefore, the first account in the entry would be the one occupying the position of first blank line, in posting which, we would say it is—*Debtor to Sundries*—being debtor to each of the two on the right. We proceed in the same way in disposing of the remaining debtors, and in the account on the Ledger for each creditor we would say—*By Sundries*—meaning each is credited by each of the two or more debtors.

Let it be borne in mind that every double entry has two parts—*a first part* and *a counter part*. The *first part* of the entry is transferred to the Ledger just as it reads in the original entry, and the *counter part* the reverse of, or opposite to, *first part*. See paragraph 23, page 161. In posting from the Journal, both *parts* are transferred, and it is easily understood; but as we post only the *counter part* from either side of the Cash book for the time being,—the *first part* being posted at the end of the month in the totals,—and in posting from the Sales book the *first part* only is disposed of, the *counter part* being considered at the end of the month, the mind of the student becomes confused until it distinguishes the difference between the *first part* and the *counter part* from the Ledger point of view.

The explanation of all entries follows the *Personal* accounts; that is, after each *Personal* a statement of the facts in its case will be made as briefly as possible, giving each item affecting it which will also explain the same items in the case of all others. For a better understanding of this explanation, see miniature Journal.

DEBTOR AND CREDITOR.

Double Entry bookkeeping is a system of debits and credits according to fixed principles, reducing them to a state of mathematical equilibrium. It does not require a knowledge of double entry to enable any one to understand when an individual or firm is either a debtor or a creditor, but it is difficult for the inexperienced to comprehend how an inanimate impersonation can be either one or the other.

In fact, the late Prof. Marsh, the oldest writer in this country on the subject of Bookkeeping, whose works are accepted authority, says, "Nothing is more absurd to my mind than to say one thing is debtor to another. One is debtor to *us* and *we* are debtor to the other." It is perfectly clear to the writer, however, even in view of the foregoing enunciation to the contrary, that if things possess the properties of owing us and being owed by us, on the same principle they can also owe each other, at least from a bookkeeping standpoint, there being no assignable reason why they lose their individuality when disconnected from the pronouns *we* and *us*.

We are fully borne out in this conclusion by the following sensible article on Debtor and Creditor, appearing in an old treatise on Bookkeeping, in which the writer quoted from the *Dublin Review*. It is given *verbatim*.

"He commences by supposing that the merchant commits his affairs to a number of clerks, assigning to each clerk the care of one particular branch of the business, instead of opening an account to represent it. Thus he supposes the business of attending to the receipt, expenditure, and safe-keeping of the merchant's cash be confided to one *clerk*, whom we shall call *Cash;* that of superintending the merchandise transactions to another *clerk* named *Merchandise*, etc. These *clerks*, of course, are representatives of the merchant or other person who employs them. They are therefore accountable to him for every item of his property which they receive, and are relieved of this accountability when they part with the property intrusted them.

Bearing this in mind, let us suppose that goods to the amount

of $300 are purchased, one half of which is paid in cash, and for the remaining half the merchant gives his note. The goods when received are of course delivered to 'Merchandise.' He is accountable for them. He therefore becomes a debtor. But to whom is he debtor? Undoubtedly 'Cash' and 'Bills Payable,' because both of these *clerks* have made payments on his account, and for making these payments they have received no consideration. There can be no difficulty in comprehending this, for the student know that if he pays money for a friend from his own funds, his friend becomes a debtor to him for the amount paid, and he of course is his friend's creditor. Let us look at the other side of the transaction. 'Cash' is called upon to pay on behalf of 'Merchandise' $150. He owes 'Merchandise' nothing, neither has the latter furnished him with funds with which to make the payment. 'Cash,' who is accountable for all the money he has on hand, is relieved of this accountability to the amount of $150. He is a creditor, and a creditor of 'Merchandise.' Hence the Journal entry of this transaction will be:

MERCHANDISE DR. TO SUNDRIES.....	$300	
To Cash.....		$150
To Bills Payable.....		150

Let us take another transaction. Suppose the merchant sells goods to the amount of $497, and receives in payment, cash $200 and a note $300, drawn by A in favor of B, due in 60 days after its receipt. It will be observed here that this note is not worth $300 until it becomes due. To obtain its present value we must subtract the discount for 60 days, which is $3. The note is therefore worth only $297. But the buyer allows the merchant the discount, or, in other words, pays him $3 over and above what is due him. This should be borne in mind.

'Merchandise' delivers up goods to the amount of $497. He is no longer responsible to his employer for that amount of goods. How is he to show that he has rid himself of this responsibility? By crediting himself for that amount. Who are his debtors? 'Cash' certainly is a debtor, because he is responsible for the

amount ($200) which he has received. He has increased his indebtedness to his employer $200. With equal certainty 'Cash' is debtor to 'Merchandise,' because he received the $200 from or for 'Merchandise' and gave the latter nothing for that amount. He *owes* 'Merchandise' $200. 'Bills Receivable' also *owes* the latter $300 for the same reason. But it is not to 'Merchandise' that these gentlemen are indebted. Here is a fourth clerk who is to share in the transaction.

This *clerk* is called 'Profit and Loss.' His duty is to bear the blame whenever any loss is sustained, and to receive credit for all sums that are gained in any department of the establishment. Or, in other words, he is debited for all losses and credited for all gains. If his employer's pocket be picked, he is accountable for it; if a purse be found, he receives the credit for it. But when it is desired to ascertain the gains or losses in their various forms, this clerk finds it necessary to perform some of his duties by deputies.

The deputy who will take charge of his duties in this transaction is 'Discount and Interest.' Of course his duties are the same as his principal. Hence he is entitled to the credit for $3 that have been gained in this transaction. 'Cash' and 'Bills Receivable' are the debtors, because they received the amount which is to be placed to the credit of 'Discount and Interest.' Hence the Journal entry of this transaction will be the following:

SUNDRIES DR. TO SUNDRIES.

Cash	$200 00	
Bills Receivable	300 00	
	$500 00	
To Merchandise		$497 00
To Discount and Interest		3 00

Thus it will be perceived that when the various accounts are considered as different departments in charge of clerks, representing the merchant, the propriety of the rules for journalizing can readily be perceived.

The case is not different when we consider them as they really

exist. The account of Merchandise, for example, is responsible for all it *receives;* hence it should be debited for what it *receives.*

It is relieved of its responsibility to the amount that it *gives;* hence it should be credited for what it *gives.* . . . He supposes at the end of the year, or when the books are to be closed, a new clerk called *Balance* is appointed, whose duty it is to go round among the other clerks for the purpose of settling with them their accounts with the merchant, and of collecting from them the amounts in which they stand indebted to him. A few examples will illustrate these remarks.

Let us suppose that the clerk who has charge of Cash account, has received during the year $2,000, and paid out during the same time $1,700. When 'Balance' comes round, and desires him to present his account, it is ascertained that he (Cash) is accountable for $300. In order, therefore, to close his accounts, he must deliver to 'Balance,' who is the agent of his employer, the $300 remaining in his hands. When 'Balance' receives the amount, 'Cash' debits 'Balance,' and credits himself for the amount. Hence the closing entry of 'Cash' will be 'By Balance, $300.'

Again, suppose *clerk* in charge of Merchandise account be required to settle with Balance. He finds upon examination that the amount of the Dr. side of his account, or the amount of goods purchased, is $1,000, and that the amount of Cr. side, or goods sold, is $400. Upon taking an account of stock, valuing the goods on hand at cost prices, he finds that the value of goods unsold, for which he is accountable, is $800. He clears himself of this accountability by delivering that amount to 'Balance,' debiting Balance and Crediting himself for the same. Hence on the Credit side of the account he writes 'By Balance, $800.' But we are not yet done with this account. It will be observed that Merchandise clerk received goods to the amount of $1,000, and sold a certain portion of them, which cost $200, thus keeping a balance of $800 worth on hand. But he sold for $400 the goods which cost $200. Therefore he sold them at $200 profit. Hence 'Profit and Loss' must get credit for $200, and Merchandise is Dr. for that amount. We have before explained the office of 'Profit and Loss;' we will merely state, therefore, that in the case before us

the closing entry on Dr. side will be 'To Profit and Loss, $200.' Balance *must* be debited for the amount of goods on hand ($800), and hence in no other way can the account be made to exhibit a true statement of affairs than by crediting 'Profit and Loss' for the gain.

This will be the more evident when we consider that the Merchandise clerk receives no cash for the goods. The receiving of money belongs to the Cash Clerk's department. Merchandise therefore is accountable only for the goods that he has sold, or for the amount which they cost. The profit on the goods sold is therefore to be considered in the same light as money that has been found or received as a gift.

We will next take for illustration a personal account. We will suppose that the *clerk* in charge of Smith, Jones & Co.'s account be called upon by Balance to settle the same. Upon examining the account, he finds that during the year the amount of S., J. & Co.'s debts to him as the agent of his employer to be $2,500, and the amount of their credits $1,500. The amount still due by that firm is therefore $1,000. The *clerk* in charge of the account is responsible for this amount. He rids himself of the responsibility by delivering his claim upon said firm to 'Balance.' He must get credit for this transfer; hence, 'Balance' becomes his debtor, and the account is closed by the following entry: 'By Balance, $1,000.'

Let us suppose, however, that the account of the same firm stands thus: amount of debits, $1,500; amount of credits, $2,500; leaving the *clerk* indebted to the firm in the sum of $1,000. The *clerk* can settle his account in no other way than by acknowledging his indebtedness; hence he becomes Dr. to Balance, and the closing entry will be, 'To Balance, $1,000.' We think that the explanations which we have given, or rather those which we have adopted, render the subject sufficiently clear to the student."

BOOKS NECESSARY TO COMPLETE A SET.

In every well-regulated mercantile business where books are kept by Double Entry we find four principal records, called CASH BOOK, SALES BOOK, JOURNAL, and LEDGER; in addition to which there are a great many auxiliaries, such as BILLS RECEIVABLE, BILLS PAYABLE (usually kept within the same covers, one in front part and the other in the back), CHECK BOOK, PASS BOOK, RECEIPT BOOK, ACCOUNTS RECEIVABLE, ORDER BOOKS, etc., every branch of business suggesting books adapted to its wants peculiar to itself.

The CASH BOOK, SALES BOOK, and JOURNAL are books of original entry, from each of which we transfer the dates, names, and amounts into the LEDGER—a process called *posting*.

We maintain that *all* the four principal books are indispensable to convenience for ready reference, each being designed for a special purpose—*id est*, a record of all facts of a kindred nature.

For small business purposes they might all be combined in one general record constituting a Ledger of both original and final entry serving the purpose of each.

Bookkeepers of limited experience would deem such a book an ingenious device conveniently adapted to the requirements of any business. In a business of any magnitude, however, where intricate transactions are constantly multiplying, the number of books would more likely be increased than diminished, to undertake to keep a record of every transaction on one book in such a business would be, to say the least, a *reductio ad absurdum—exeunt* "Westlian" theories.

In the following set each of the above-named books has been described, and a full explanation given of the many current entries therein contained, embracing a great variety of such entries as have come within the writer's experience during an uninterrupted and successful career as bookkeeper, cashier, correspondent, and manager for some of the leading firms in the metropolis, in almost every branch of business, covering a period of eleven years.

We close the set at the end of the second month, assuming we

have gone over twelve months in the same way; that is to say, the current entries and monthly closing for the next ten months would be made in the same manner as exemplified in the two months through which the books have been conducted.

It is perfectly safe to assume that if we can keep the books of any concern for two months we could keep them as long as the business continued; for during the first sixty days we have recorded every kind of a transaction that is likely to take place, and have established a routine for disposing of them, after which it is mostly repetition during the continuance of the business; the main features of the mercantile business being buying and selling goods for cash and on account, making settlements by note and by draft, discounting paper, etc.

RULE FOR OPENING BOOKS.

Credit each partner by the amount of his investment, and charge each with the amount of his individual indebtedness to be assumed and paid by the firm. Men forming a copartnership and entering into business furnish their bookkeeper with a statement of their joint effects, showing nature and amount of each partner's investment from which to form his entries. The amount of cash invested by each would be placed at their credit by entering their name on debit side of Cash Book and the amount opposite in the Sundries column; all other investments require entry in the Journal.

As an example, we suppose that two gentlemen, "I. Catchem" and "U. Cheatem," form a copartnership, each investing $10,000 cash, the former also investing office furniture, counters, shelving, etc., inventoried at $900, which would be represented by an "*Office Furniture and Fixtures*" account. The latter gentleman would turn over to the new firm $1,000 worth of goods such as they are going to deal in, and which of course would be represented by "*Merchandise*" account.

The cash invested by each would be passed to their credit on Dr. side of Cash Book, as explained above, and the balance of their

investment would be passed to their credit in the following Journal entry, viz.:

SUNDRIES DR. TO SUNDRIES.

Office Furniture and Fixtures.....	900	
Merchandise.....	1,000	
To I. Catchem.....		900
" U. Cheatem.....		1,000

as per inventory (or Stock Book).

All other investments would be disposed of in the same Journal entry by charging them to some appropriate name adopted as an account to represent their value.

"STOCK."*

The Ledger is opened with partner's Stock or Capital account on first page, followed by the rest of the accounts as they occur in the original entry.

RULE FOR CLOSING BOOKS.

Before closing the *Ledger* we "take stock" and credit Merchandise account, usually in red ink, by *Inventory*, after which it is a matter of a very few moments to arrive definitely at the profits or losses of the business.

All *speculative* accounts are disposed of first, being closed or merged into a *Profit and Loss* account. If the debit side is the

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* Probably the most absurd thing peculiar to Commercial Colleges is the pertinacity with which they cling to the nonsensical idea of having a "*Stock*" account to represent the capital invested by an individual when in business alone. It is decidedly better to open an account in the name of the proprietor of any business by which to represent his capital. It would be more intelligible to him, and therefore infinitely more satisfactory. *Capital Stock* is properly used to represent amount paid in by stockholders in a corporation.

greater, we write on the credit side, *By Profit and Loss* in red ink, giving the folio of Profit and Loss account, then turn to the Profit and Loss account and write on the debit side in black ink *To* ——— whatever account has been thus closed, giving the folio on which the account is found in the Ledger. If the credit side is the greater, we write on the debit side *To Profit and Loss* in red ink, giving *Profit and Loss* folio as before ; then turn to the *Profit and Loss* account and write, in black ink, *By* ——— whatever accounts have been thus closed, giving their Ledger folio as before. This does away with the nonsensical operation of making Journal entries for closing such accounts, as is practised by nine tenths of the bookkeepers throughout the land.

If the debit side of *Profit and Loss* account is the greater, the balance will show *net loss*, and is closed in red ink *By* ———, giving each partner's name and folio and pro rata of the loss.

If the credit side of the *Profit and Loss* account is the greater the difference will show *net gain*, and is closed in red ink, *To* ———, giving each partner's name, folio, and pro rata of gain. The total amount of pro rata gain or loss will balance the *Profit and Loss* account, which is then closed with red lines (see remarks on Ruling Ledger accounts, page 56). We then turn to each partner's Stock account (assuming the Personal and Stock account are both kept under the same heading), and write in red ink on debit side, in case of loss, *To Profit and Loss*, giving the folio of Profit and Loss account and the amount of his pro rata of loss ; in case of gain, we write in red ink, on credit side, *By Profit and Loss*, giving folio and pro rata as before.

If the partners' *Personal* accounts are kept apart from their *Capital* accounts the *Profit and Loss* account would be closed into the former, which would then be closed into the latter by the same process.

We then close the partners' Stock accounts, in red ink, *To Balance*, whatever the difference is between the debit and credit side, which will represent their *net capital.* If the debit side should be the greater, which is hardly presumable, we close it *By Balance*, which will represent their *net insolvency.*

All accounts now remaining open on the Ledger will represent either *Resources or Liabilities.* All those in which there is a

debit balance will represent Resources, and are closed in red ink, —*By Balance*,—whatever the difference is between the debit and credit side. All those in which there is a credit balance will represent *Liabilities*, and are closed, in red ink,—*To Balance*,— for the difference between the two sides. The difference between total amount of Resources and total amount of Liabilities must agree with the sum total of differences in the partners' Capital accounts. If the Resources are the greater, the difference will represent the firm's net capital, which is composed of the partners' net capital as indicated by their Stock accounts. If the Liabilities are the greater, the excess will represent the firm's net insolvency, and will show overdraft in the capital account.

It is of vital importance to the interests of all parties concerned in any business to know how to close books correctly, adjusting the profits or losses, showing resources and liabilities, net worth or insolvency.

RULE FOR REOPENING BOOKS.

Bring down the *balance* on the opposite side to where it appears in red ink, as a closing entry, in the partners' stock accounts, all *Personal* and *Representative* accounts, also the Inventory in the Merchandise and other accounts of *dual* nature. If there is not likely to be enough space left in the old Ledger to last until the next closing, the *balance* in each account to be reopened will be transferred to a new Ledger. As fast as the books of the old set are used up they are replaced with new ones; hence it becomes necessary to have a serial number or letter to show which set each book belongs to, so they can easily be identified when it becomes necessary to refer to them. The books of the first set would be marked Ledger A, Cash Book A, Journal A, and Sales Book A, and the next book of either name would be marked B, and so on, as new books were needed.

In closing Ledger A for the last time we say—*To* (*or By*) *Balance to Ledger B*—giving the folio on Ledger B to which the balance has been transferred, and on Ledger B we say—*To*

(*or By*) *Balance from Ledger A*—giving the folio on Ledger A from which the balance was brought.

HOW TO REFER TO ACCOUNTS IN THE LEDGER READILY WITHOUT THE INDEX.

Ledger B would be opened from the last Trial Balance; in opening which, therefore, we know how many accounts we have to transfer; if a great many, we arrange them alphabetically, leaving several pages after each letter of the alphabet for all new names that may be introduced beginning with same initial letter. This arrangement will enable us to refer to them readily without using the index, and soon be able to locate on the Ledger from memory each account within a few pages, greatly facilitating our posting. It is by this method that Bank Bookkeepers, who often have several thousand accounts on their Ledger, are able to post so rapidly, and find the account on the Ledger in the same time it would require to find it in the Index.

CHANGING SINGLE INTO DOUBLE ENTRY.

The difference between *single entry* and *double entry* is, the former affects only one account, which is that of a *person*, and which may be either a *debtor* or a *creditor*, and in the latter, *two* or *more* accounts must be affected, which may be either that of a *person*, *property*, or *percentage*, part *debtors* and part *creditors*.

To rearrange single entry books on the double entry plan, they must first be closed, and the profit or the loss up to that time adjusted according to the following

FOURTEEN RULES.

1st. Take stock, that is, make an inventory which will include all the property of the business.

2nd. Draw off list of names of everybody owing the firm, and the amount according to the old Ledger.

3rd. Make out a list of other people's notes on hand, as per Bill Book, if one has been kept, otherwise from the notes themselves; if from the Bill Book, verify it any way by the notes

4th. See how much cash there is on hand, including money in Bank and in the drawer. Add the four results together.

5th. Draw off a list of the names of everybody the firm owes, and the amount according to the old Ledger, and bills not entered.

6th. Make out a list of the firm's notes outstanding, as per Bills Payable Book. Add the two results together.

7th. To make a long story short, *find out the firm's assets* according to first four rules, and *the firm's liabilities* according to the 5th and 6th rules, and find the difference between the two results.

8th. If the resources are the greater, it will show the *firm's present net capital;* and if the liabilities are the greater, it will show the firm's *net insolvency.*

9th. Deduct from the amount of original (and subsequent investments if there have been any), the amount drawn out, which the Ledger will show in the account of each member of the firm, and deduct this net result from the *firm's present net capital*, and that will show their net gain, which divide according to co-partnership agreements. If their present net captial should be less than that which remains of original capital, the difference will show net loss, which must be charged to each partner according to agreement.

10th. If either or all drew out more than he or they invested, the overdraft must be added to the *firm's assets*, which will increase their *net gain*, or diminish their net loss, as the case may be.

11th. Add what each one has made to his original capital, and deduct therefrom the amount he has withdrawn, or add what he has lost to amount drawn out, and deduct it from original capital, and that will show how much he has remaining in the business, and his net capital for the double entry Ledger.

12th. Make the following journal entries of *Fourth Form* in case of two (or more) partners.

Sundries Dr. To Sundries
Accounts Receivable (as per old Ledger)
Bills Receivable (as per Bill Book)
Cash (as per Cash Book)
Mdse. (as per Inventory)
Office Furniture (as per Inventory)
To ——— (Senior partner's name)
" ——— (Junior " ")

Each partner's credit will be his *pro rata* of the total assets, which will be ascertained by multiplying the total assets by his net capital, as per rule 11th, and dividing the product thus obtained by the total capital of both partners.

Sundries Dr. To Sundries.
——— (Senior's Name)
——— (Junior's Name)
To Accounts Payable (see old Ledger)
" Bills Payable (see Bill Book)

Each partner's debit will be his *pro rata* of the total liabilities, which will be determined by multiplying the total liabilities by each one's net capital, and dividing the product thus obtained by their joint net capital. The difference between the total debit and the total credit of the partners' account will agree with the result reached by rule 8th (or 9th, as the case may be).

13th. Open Cash Book by entering on the debit side *To Balance*, placing the figures in the amount column, so they will not be posted from this book.

14th. Bring down the balances in the *personal* accounts according to RULES FOR REOPENING BOOKS on page 45. Open an account for *Bills Receivable*, and one for *Bills Payable*, charging the former and crediting the latter from the Journal entries. Open accounts for *Office Furniture*, *Cash*, and *Merchandise*, all of which charge also. If the Inventory includes horses and wagons used in carrying on the business, open an account, called *Horse and Wagon* if only a few of either, but if many of each, have two accounts, one *Live Stock*, and one *Rolling Stock*. If the Inventory includes houses and lots, open *Real Estate* account same way for any different kind of property, all of which new accounts would appear in the first Journal entry under Sundries Debtor.

It is surprising to know to what extent Single Entry bookkeeping is practised even in houses doing a large business, because business men themselves are ignorant of the superiority of Double Entry, and therefore permit their bookkeepers to go stumbling on from year to year making innumerable mistakes, many of which are never discovered, and eventually guessing (it cannot be considered otherwise than as guessing) at a final result.

In Double Entry we *guess at* absolutely nothing, but know definitely what we are doing. All mistakes that have been made during each month will be detected on getting off the *Trail Balance*, and must be rectified before going ahead with the posting of a new month.

RULES FOR DETECTING ERRORS IN TRIAL BALANCE.

1. Go over the additions of the Trial Balance, assuring yourself they are correct.

2. Ascertain the exact difference and look casually through the books of original entry for all amounts similar to the amount of error, seeing that they have been posted on both debit and credit side of the Ledger.

3. Examine the addition of the outside column in the Sales Book, observing that the footing has been posted on the credit side of the merchandise account in the Ledger.

4. Examine the Journal entries to see that each entry balances.

5. See if you have transferred the amounts correctly from the Ledger to the Trial Balance, going carefully over the footings of each account in the Ledger and taking the difference.

6. Check the posting; that is, see if the amounts have all been transferred correctly from each of the books of original entry into the Ledger.

7. Go over the Ledger accounts again and see if each amount on both debit and credit side has been checked. Those not checked have been posted erroneously and will doubtless prove to be the amount of difference in your Trial Balance.

If the error is not found after going over the seven rules, begin

with rule 1 and go over them again and again until you have found it.

RULES FOR MAKING "BALANCE SHEET."

A Balance Sheet is a final exhibit showing gains or losses, assets and liabilities, net capital or insolvency.

1. Rule the three horizontal lines at the top of the sheet in red ink, two double and one single.

2. Rule the perpendicular lines forming two columns for Trial Balance, extending over one line for each partner's stock and personal accounts, one line for each speculative and representative account, one line each for total accounts receivable and total accounts payable, and one for the footing.

3. Rule the column for inventory, terminating on same line with Trial Balance column.

4. Rule two columns for Profit and Loss, extending as many lines below the inventory footing as there are partners, including one line each for total gains and total losses; also one for the footing.

5. Rule two columns for each partner, the first two extending two lines below the last footing, one being for net capital and the other for the footing; the next two columns extending two lines below the last footing, for the same reason; and so on with each succeeding partner's column.

6. Rule two columns for the balances, extending as many lines below the footing of last column as the Profit and Loss columns extend below the footing of the Inventory column, one line being for total assets and one for total liabilities, and one for each partner's capital, and one for the final footing. See page 116.

RULE FOR THE USE OF RED INK.

There is nothing arbitrary in the use of red ink; it can be used or dispensed with at the option of the bookkeeper. Good taste, however, requires that it should be used in *making all closing*

entries, ruling, all reference to transferring amounts to or from another page, crediting merchandise by inventory, crediting partners with gain or charging them with loss.

Books should be kept neatly and artistically as well as correctly. There is nothing more enhancing to the beauty of a set of books than proper distribution of red ink; while there are many book-keepers who do not use it at all, there are others who use it too profusely: in neither case will their books compare in beauty with those governed by the foregoing rules.

A single red line separates things that are related; a double red line separates things not related, and indicates they go no further.

CASH BOOK.

If one book be of more importance than another, the Cash-Book should have the precedence, being not only a record in detail of all money handled by the firm, but also a Ledger account of the Cash, as it were.

This book has a special ruling peculiar to itself, with spaces and columns designed to show certain facts.

THE DEBIT SIDE

shows amount of Cash received, date of receipt, who received from, and what received for; the first column on the left being for date, first space after date being for Ledger accounts which are to be credited by Cash; the next space is for explanations or particulars of the transaction, which should never extend beyond the bounds on either side.

The columns for amounts should each be headed with the name of accounts they represent, or show the purpose for which each is designed.

THE CREDIT SIDE

shows the amount of cash paid out, to whom or for what account, and for what purpose it was paid; also date of payment, with spaces same as on debit side. In posting from the Cash Book we post only the amounts found in the Sundries columns, and

the footings of the Special columns. Cash Debtor (or *Dr. Cash*) being written at the top of page on left-hand side is read or understood in connection with every name appearing on that side in the space for Ledger accounts. We then say, Cash being debtor to——, whatever account follows, the *Contra* is, that account in the Ledger must be credited according to the law of Double Entry (page 29). Cash being posted, as it were, in the Cash Book, which represents the Ledger Cash account, we consider only half the entry or the credit account in posting.

On the other side, *Cash Cr.* being written at the top of the page is read or understood in connection with every name appearing on that side in the space designed for Ledger accounts that are to be debited in posting, and which alone are considered in posting, *Cash Cr.* being already posted, as it were, in the Cash Book representing, as we have seen, the Ledger account of Cash.

In posting from the Cash Book, therefore, we post only half the entry on either side, observing the date of entry and amounts, studiously avoiding the explanations, thereby preventing confusion.

SPECIAL COLUMNS.

The object of Special columns is to economize time and labor in posting; the more Special columns we have the less posting will have to be done. The number of such columns will be determined by the number of very active accounts.

A Merchandise column is introduced in our miniature Cash Book (page 64), because we are supposed to be making cash sales daily, the amount of which if carried into the Sundries column would necessitate posting one item daily in the Merchandise account, but by entering it in a special column we are enabled to post many items in one amount in the footing of that column. The Expense column is introduced on the credit side for the same reason and managed in the same way. The Discount column on debit side of miniature Cash Book represents all discounts allowed by our firm for money received before maturity of the amount, and is posted in connection with the cash item on the credit side of the account in the Ledger; the footing of the column at the end of the month is posted on the debit side of *Discount*

in the Ledger, thereby constituting the double entry. We also have a Discount column on the credit side representing discounts allowed us for prepayment of accounts, and each item is posted in connection with the cash item opposite to the debit side of the account in the Ledger, the footing being posted at the end of the month on the credit side of *Discount* in the Ledger, thereby constituting the double entry for the various debits of discount during the month.

The Discount columns on either side of Cash Book do not represent any part of the cash, and therefore do not enter into the operation of balancing the cash either daily or monthly.

TWO CASH BOOKS UNNECESSARY.

It is a custom in many houses to keep two Cash Books, one called Petty Cash, representing all money received and paid out daily, including amount deposited in bank. This book is balanced and closed every evening, the balance representing the amount of money in the safe or cash-drawer.

The bookkeeper at his leisure transcribes the matter from daily Cash Book, omitting money deposited, into a larger book called General Cash Book, usually with more regard for neatness than is bestowed on Petty Cash Book, which is balanced and closed only at the end of the month, the balance representing the amount of money in the bank, including the amount in cash-drawer. The object of the monthly closing is to get the monthly results for the purpose of transferring them to the Ledger. The Petty Cash Book is superfluous, and can easily be dispensed with by ruling two extra columns, one on each side of the General Cash Book, into which the result of each day's transactions are extended, the extra columns only being balanced and closed, leaving the main columns, representing monthly cash, open, to be closed at the end of the month.

By combining the two books in one, we obviate writing the same matter twice, saving time and labor and the expense of an extra book. It will not be necessary to close the extra columns

daily, unless a sufficient number of transactions have taken place to justify the operation. Where there are but few entries on either side, closing every other day, or even once a week, will be sufficient. The cash should be proven daily, however.

SALES BOOK.

This book should contain a record of all goods sold on credit, or on account, first giving the name of customer, terms of sale, and address, followed by an itemized account of the sale.

The outside column is footed up daily on each page of the Sales Book, and the amount carried forward to the next page; and so on to the end of the month, when the final footing, representing total sales for the month, will be posted on the credit side of the Merchandise account in the Ledger, thereby constituting the double entry for all the debits that have been made during the month in the several customers' accounts. This book is kept by the entry-clerk, and making the charges thereon is called *entering goods.* The bills we render must be exact duplicates of the entry on Sales Book. No bill should be made out first and copied on Sales Book, but entered on Sales Book first.

All entries on the Sales Book are charges or debits in the individual amounts, and a credit for the same amounts collectively at the end of the month. In making our entries on Sales Book, we begin by writing the customer's name, not by saying "We have this day sold to —— the following goods, to wit," as the very fact of the entry being made on this book is evidence that "we have this day sold," etc.; introductory remarks of this kind being peculiar to the old-fashion Day Book.

JOURNAL.

A book of original entry containing a record of all transactions that cannot properly be entered in Cash Book or Sales Book, such as purchases on account, allowances for damages or goods returned, settlements by note, loss by failure or otherwise, interest

charges and credits, transferring from one account to another, *et cœtera.*

If we should receive invoices daily from any concern, we would keep them on file until the end of each week, and enter them in one amount instead of entering them daily. We would enter date and amount of each in the Journal within the space for descriptive matter, but extend the total amount only into the Credit column, whereby we would have but one amount to post each week instead of six amounts.

Another way is to rule special columns in the Journal for the most active accounts, and post only the footing, which would be still greater saving of time and labor in posting.

LEDGER.

The Ledger is a book of final entry and general reference—in fact, the Book of Books in every business; it is the general receptacle for the main facts connected with each entry throughout all books of original entry, and contains nothing but matter supplied through the channel of posting.

It would be decidedly irregular, and probably fatal to a balance,—the proof of Double Entry,—to make an entry in the Ledger before it had been previously recorded in one of the books of original entry. If we desire to know how much any one owes us, how much we owe any one, or the general standing of any account, we first refer to the account in the Ledger, take the difference between the debit and credit side, then look carefully through all books of original entry for items that may have been entered since posting, and consider them as if posted. The Ledger is closed annually or semi-annually, or as often as we desire to know if we have made or lost, or how we stand. If a new partner is admitted into the firm the Ledger will have to be closed, and the profits or losses up to that time adjusted between the former members of the firm.

The period of time between each closing of the Ledger is called *a season.* A Ledger account should never be closed by

underlining during the season, unless it be discontinued—not even when it balances by a concurrence of regular entries, as claimed by some theorists; nor at bottom of the page, when it becomes necessary to transfer it to another page, as claimed by many others: in the latter case, both debit and credit side should be footed up, and the amount of each, not the difference between the two, transferred to the new page. We can then see at a glance what amount of business is represented by any account during the season—a fact often necessary to know in settling with salesmen who sell on commission, or in paying a rebate or drawback to a customer.

RULING THE LEDGER.

The peculiar form of the Ledger gives it three distinct sets or groups of perpendicular red lines. On the extreme left of each page there are two spaces and two lines for date of debit entries, followed by a wider space for descriptive matter. In the middle of the page there are five spaces and six lines which constitute the main group: the first space is for folio of book of original entry, next two spaces are for amount of debit in dollars and cents, the next two spaces are for the month and day on which the credit entries are made.

On the extreme right of each page there are three spaces and three lines: first space is for folio of books of original entry, the remaining two spaces are for amount of credit in dollars and cents. It requires two columns, always, for dates and two for amounts; the difference between the two is, amounts are enclosed by double red lines and dates by single red lines.

In ruling Ledger accounts we always begin on that side on which the entries extend farthest down the page. Draw a single red line across amount column, close to the figures on that side, also across amount column on same line on the opposite side, and if there is the space of half a dozen lines or more on the opposite side, not used, we also draw on same line a single red line across the column for days on that side, as a basis from which to rule an oblique red line terminating, on last line used, at the folio

column on that side—the object of the oblique line being to prevent the insertion of other amounts and to give the book a neat, business-like finish. We then draw a single red line across each group on the next line, doubling it, by drawing an extra short line, under the amounts only. The oblique line should never terminate on this line, as is customary with nine tenths of bookkeepers, as it makes the angle too acute to look well.

Never rule on a line where there is writing, nor write between lines—interline—when it can be avoided by use of the next line.

CHECK BOOK.

All transactions with the Bank are recorded in the Check Book which has no connection with the Ledger.

Money deposited in Bank is not paid out, but is regarded as money on hand, the Bank representing another department of our cash-drawer, as it were. No entry is made in the Cash Book of deposits in Bank, but on the stub of Check Book we enter date of deposit, items composing it, and amount. It is not necessary to enter on stub of Check Book the name of the party from whom the check was received, as the Cash Book shows that fact; it is strange that nine bookkeepers out of ten enter the name of every check on Check Book, thereby giving themselves twice the work without accomplishing any object whatever. We add the amount of each deposit to the last balance in Bank at time of making it, and deduct amount of each check *immediately* after drawing it—not wait until all the checks on that page are drawn, and deduct the total. We can then see at a glance what our balance is in bank subject to draft.

The stub of Check Book from which each check is detached should show to whom the check was given, for what account, amount, number and date of check, and should be filled in with these facts before drawing check.

If a check is made payable to a personal order, that person will have to be identified at the Bank before he can draw the money; he can negotiate it, however, by endorsing it. If made

payable to *Bearer*, *Currency*, or *Cash*, anybody presenting it would receive the money thereon. If such a check be lost, therefore, the payment can be stopped by reporting the facts to the *paying teller* at Bank, provided you make the discovery in time to get to the Bank before the check has been presented and paid.

When a check is certified, it is charged to account of the party who draws it, and the amount held by the Bank until the certified check is presented.

If the party decide not to use the check after having it certified, the amount will be restored to their credit in the form of a deposit, the certified check being returned to the Bank for cancellation.

The *Bank Book* described below is an exact counterpart of Check Book, the latter being our version and the former Bank's statement of the same facts.

BANK BOOK.

This is a small pass-book handed in to the receiving teller at the Bank with each deposit, and returned to us by him after he enters therein the date and amount of deposit, also his initial, thereby constituting our receipt against the Bank for that amount of money. This book should be left with the Bank on the last day of each month to be balanced, when returned to us, we make a recapitulation in red ink on stub of our Check Book, accounting for the difference that always exists between our balance as indicated on stub of Check Book and the Bank balance as per pass-book; the latter, as a rule, always being the greater, inasmuch as we have likely drawn and deducted from our balance many checks that have never been presented at the bank, and therefore not paid and charged to our account. If the amount of checks thus shown to be outstanding will not equal the difference between our account and Bank account, the difference must be ferreted out and the two accounts made to agree.

The first step in that direction is to arrange in numerical order

the vouchers (checks paid and cancelled) returned to us. When there is one missing we refer to the number on stub of Check Book corresponding to the missing number, and if not marked *void*, we make a memorandum on a piece of paper, which will be called *correction sheet* for reference hereafter, showing the number of check and amount opposite; proceed in the same way until all the vouchers have been thus gone through, which will show all the checks outstanding and deducted from our balance up to the last deposit by which the Bankers gave us credit before reaching their balance.

2. Then go over the vouchers again, comparing the amount of each with the amount on Check Book according to number, checking the latter amount with colored pencil (blue or red) until all the vouchers have been thus examined; any discrepancy arising between the vouchers and stub will be noted (added or subtracted) on *correction sheet.*

3. Go through the vouchers again, and check on Pass Book any amount corresponding with amount on each voucher until all the vouchers are exhausted a second time; then look carefully through Pass Book to see if any amount remains unchecked: if so, all such amounts are noted on *correction sheet.*

4. Compare entries of deposit on left-hand side of Pass Book to our entry of the same deposit on stub of Check Book: any difference arising between the two amounts will also be noted on *correction sheet.*

5. Examine each operation of addition and subtraction on stub of Check Book, noting on *correction sheet* any errors discovered by this examination. The result of net difference on correction sheet added to our balance will agree with the Bank balance. Our *Recapitulation* on Check Book will consist of checks outstanding, and all errors discovered according to *correction sheet*, which will be added to or deducted from our last balance as the case may be and entered on Cash Book so as not to interfere with balancing the cash or the next balance of the Bank account, at which time many of the checks shown to be outstanding by recapitulation will come in with next vouchers; those still outstanding will appear in the next recapitulation.

6. If, in the first place, our difference should be $50, $100,

or any even amount that has occurred frequently during the month, we might locate the error without checking in the manner indicated, by counting the number of such items charged on Pass Book; also the number of vouchers of equal amounts: if more items of any amount are found on Pass Book than we have vouchers for, it will probably locate the difference at once. We require a voucher for the missing item, or for any item not checked according to 3d rule. If, however, we find a voucher for every item, we then count the same kind of items on stub of Check Book; and if there are more items found on Check Book than are found on Pass Book we will also find the excess of items not checked with colored pencil on stub of Check Book—which would be another way of readily locating our difference.

RECEIPT BOOK.

It is customary to take a receipt in this book for all payments; it is only necessary, however, to require a receipt for payments made in currency, or by checks payable to bearer, as all checks to order of those we desire to pay must be indorsed by the party before negotiating them, and when thus indorsed and paid by our Bank they are returned to us as vouchers, constituting the party's receipt for the money also.

BILLS PAYABLE BOOK.

This is an important auxiliary or extra memorandum, peculiarly ruled to show certain facts connected with notes we have given, such as *Date of note*, *In whose favor*, *Where payable*, *Time to run*, *When due*, *Amounts*, and *Remarks;* any other facts, such as *Number of note* and *For what account*, usually found on ready-made books, being superfluous, as we never have occasion to refer to the number of a note or for what account it was given.

After giving out our note we charge the proper account through the Journal, then enter it in Bills Payable Book, according to the facts indicated by the headings of the several columns.

The difference between the debit and credit side of Bills Payable account in the Ledger must agree with the total amount of all items on Bills Payable Book against which there are no remarks.

BILLS RECEIVABLE BOOK.

This is also an important auxiliary, kept according to no particular system, nor having any connection with any other book, being designed to show *Date of note*, *By whom drawn*, *Where payable*, *Time to run*, *When due*, *Amounts* and *Remarks;* differing from Bills Payable only in having *By whom drawn* substituted for *In whose favor:* the same superfluous columns are common to both books. Upon receipt of another party's note we pass it to their credit through the Journal, then enter it in Bills Receivable Book according to the headings of the several columns, and whenever negotiated or paid we make a note of it in the Remark column. The difference between the debit and credit side of Bills Receivable account in the Ledger must agree with the total of all items against which there are no remarks on the Bills Receivable Book.

ACCOUNTS RECEIVABLE BOOK.

This very simple but highly important book in every business seems to have been wholly unknown to all other writers on the subject, many of whom evidently never had any business experience in keeping books, but who write altogether from a theoretical standpoint, rehashing what they have read about bookkeeping with slight change and variation.

Nowhere throughout the copious pages that have been written on the science of Double Entry bookkeeping, which have passed under the writer's observation, has any reference ever been made to a Book of Accounts Receivable.

Next to Bills Receivable and Bills Payable, this is the most important auxiliary.

The financier or managing partner of every business has more

frequent recourse to this book than to any other. It enables him to anticipate his dues with mathematical precision for every day during the month, or for every indebtedness that has been contracted. He can see at a glance what accounts are also past due and how far past due, and to a certain extent govern his credits thereby; that is to say, any customer who has not paid promptly will not be entitled to the same line of credit without a satisfactory explanation or settlement of past-due bills.

The *Accounts Receivable Book* is of diary form, half a page or more being set apart for each day, the entries therein being made under date of maturity and copied from the Sales Book daily.

When a settlement has been made and entered in the proper book it is marked off this book by drawing a red line through the amount, or by writing opposite the amount *paid*, giving date of payment. See miniature Accounts Receivable Book, page 130.

INVOICE BOOK.

Formerly this book, in form and ruling like the Sales Book, was regarded as a book of original entry, into which was copied all invoices of goods bought; latterly it has degenerated into a large-size scrap-book of manilla paper, without ruling, into which is pasted the original invoice serving the same purpose and obviating all possibility of erring in an unnecessary transfer.

In fact, the Invoice Book is more cumbersome than useful, and should be thrown aside as rubbish, except in a large business where goods are bought from many firms, in which case it might be regarded as a convenient method of filing invoices for ready reference if supplied with an index.

If we buy goods from but few houses we pass their invoices to their credit through the Journal, then fold them in uniform size, and write across one end the name, date, and amount of each, which is called "filing," then put them away in a pigeon-hole in the desk or cabinet made for that purpose: they are then said to be "on file" or "pigeon-holed."

If deemed necessary and expedient to use the *Invoice Book*, treat it as the counterpart of the *Sales Book*, posting the amount of each bill on the credit side of the account, and the final footing on the debit side of the *Mdse.* account.

THE SIMPLE VERSUS THE INTRICATE.

The object of *debiting* and *crediting* accounts is the same now as it was with the origin of *double entry*, but the manner of doing it is different, and the reason assigned for so doing is as much more lucid now than the *old fogyism* of half a century ago as the brightness of the noonday sun is more resplendent than the mild effulgence of lunar light.

The burden of the legendary song then was "Journalize everything," a rule more honored in the breach than the observance. This old humdrum tune is fast dying out, however, and will soon be as echoless as footfalls upon the boundaries of another world.

This book sounds the key-note to a new school-lullaby, as it were, *Journalize nothing*, sweet cadence of a new anthem resonant with common sense.

After learning our *classification of accounts* on page 28, the *simplicity* of our *eight short rules* on page 29 must be apparent to all when compared with the following unique but *intricate* rules copied from a stray leaf from an old work on bookkeeping, which we give *verbatim et exemplum*, and which are better calculated to confuse and bewilder than they are to enlighten and make easy:

When property of any description
enters || goes out
it is first carried to the
Debit || Credit
of the account which represents it. If the person who
gives value || receives value
has not
received, || given,
or is not to
receive || give
hereafter, an equivalent for it, this person cannot be
credited || debited
since he does not remain a
creditor; || debtor;
but in double entry it is necessary to oppose to the
debtor || creditor
item in every account, a
creditor; || debtor;
we therefore substitute a nominal or impersonal
creditor, || debtor,
which takes the title most proper to point out
the nature and origin of the transaction.

Dr. CASH.

1885.		Folio.			Discount.		Mdse.		Sunds.		Amt.	
Jan.	1	1	To P. A. Wright...	Amount invested	....	....	.....	....	$1.000	00		
		1	" T. P. Noble.....	" "	....	....	.....	....	1,000	00	$2,000	00
											2,000	00
	2		To Balance	.....	....	....	.....	....	.....	....	1,718	75
			" Mdse.....	Retail sales.....	....	....	$25	00				
	3	6	" Miller Bros.....	Bill Jan. 1, $134.85	$8	09	...	..	126	76	126	76
			" Mdse.....	Retail sales.....	....	....	37	50	.....	....	62	50
											1,908	01
	5		To Balance	.....	....	....	.....	....	.....	....	1,399	26
		8	" Bills receivable.	Discounted at 1st National Bank, @ 6%, the following notes: J. C. B. & Co., $131.76; W.C.B. & Co., $195.85—$327.61. Dis. unexpired time...	4	15	.....	..	323	46	323	46
			" Mdse	Retail sales.....	....	....	42	00	.....	..	42	00
											1,764	72
	6		To Balance	.....	....	....	.....	....	.....	....	1,267	87
			" Mdse.....	Retail sales	....	....	45	00				
	7	8	" Bills payable...	Discounted at 1st National Bank, our note of this date at 45 days, $500, at 6%.....	3	75	.....	..	496	25	496	25
			" Mdse.....	Retail sales	....	....	47	50	.....	....	92	50
											1,856	62
	8		To Balance	.....	...	...	.....	....	.....	....	808	17
			" Mdse.....	Retail sales.....	..	...	37	50	.....	....	37	50
	9	6	" J.C.Brown &Co.	Bill this date.....	...	..	.....	....	13	00	13	00
				Amounts carried forward.....	15	99	234	50	2,959	47	858	67

CASH. *Cr.*

		Folio.			Discount.		Expense.		Sunds.		Amt.	
1885.												
Jan.	1	2	By office furniture.	Safe, $150; desk, $37.50; chairs, $12; clock, $13; letter - press, $7.50; stove and fixtures, $25...	....	....	....	....	$245	00	$245	00
			" Expense.....	One set of books.	....	....	$18	00				
				Letter-heads	....	....	7	50				
				Bill-heads	....	....	7	50				
				Pens, $1.50; Ink, $1.25; pencils, 50c.....	....	.. .	3	25	.....	....	36	25
			" Balance	Bank, $1,500; drawer, $218.75.	....	....	....	....	.....	....	1,718	75
											2,000	00
	2	4	By E. H. E. Wright & Co.....	On a/c... ....ck	....	....	....	....	500	00	500	00
			" Expense.....	Ton of coal.....	....	....	5	25				
				Labor housing coal.....	....	....		50				
	3			Postage.....	....	....	3	00	.....	....	8	75
			" Balance	Bank, $1,000; ck., $126.76; drawer, $272.50.....	....	....	....	....	.....	....	1,399	26
											1,908	01
	5	5	By Earlington & Co	Bill, Jan. 1, $500.	$30	00	....	....	470	00		
			" Expense.....	Postal Cards.....	....	....	1	00				
				Telegram	....	....		25				
		10	" J. Edw. Forth..	On a/c.....	...	....	....	....	25	00	495	00
			" Expense.....	Car fare.....	....	....		20				
				Expressage.....	....	....		40	.....	....	1	85
			" Balance.....	Bank, $980.22; drawer, $287.65.	....	....	....	....	.....	....	1,267	87
											1,764	72
	6		By Expense	Expressage, pp..	....	....		75				
				Telegram to Chicago	....	....		50				
		10	" J.Virgil Wright.	On a/c.....	....	....	....	....	10	00		
	7	4	" E. H. E. Wright & Co.....	Ck. on a/c, $500; Thos. Jackson, $300; K. C. Wilson, $200.....	....	....	....	....	1,000	00		
			" Expense.....	Car fare	....	....		20				
				Freight from Cin.	....	....	4	50				
				Scrubbing	....	....		50	.....	....	6	45
		1	" P. A. Wright....	J. C., bill on file..	....	....	....	....	12	00		
		1	" T. P. Noble.....	To self.....	....	....	....	....	20	00	1,042	00
			" Balance.....	Bank, $476.47; drawer, $331.70.	....	....	....	....	.....	....	808	17
											1,856	62
	8	3	By Mdse.....	J. K. P., bill on file.....	....	....	....	....	100	00	100	00
			" Expense.....	1 doz. pencils....	....	....		50				
				Mucilage.....	....	....		25	.....	...		75
			Amounts carried forward.....		30	00	54	05	2,382	00	100	75

Dr. CASH.

		Folio.			Discount.		Mdse.		Sunds.		Amts.	
1885.			To Amts. brought	forward	$15	99	$234	50	$2,959	47	$858	67
Jan.	9		" Mdse....	Retail sales.....	....	....	42	50	.....	....	42	50
											901	17
	10		To Balance.	.....	....	.. .	.....	....	.....	....	499	22
		6	" Miller Bros.....	Bill, 5th inst., $76.80; less exchange, 25c....	....	....	.....	....	76	55		
		7	" W. C. Browning & Co	Bill, 5th inst., $24; less exchange, 15c.	....	....	.....	....	23	85	100	40
			" Mdse.....	Retail sales.....	.. .	....	63	25	.....	....	63	25
											662	87
	31		To Balance	.....	....	....	.....	....	.....	....	578	87
		7	" Davis & Co.....	Bill, 5th inst.,								
		11		$57.90.....	2	89	.....	....	55	01		
		11	" Wm. French....	Bill, 30th inst....	....	....	.....	....	18	25		
			" James Elston..	" 30th "	....	....	.....	....	15	40	88	66
			" Mdse	Retail sales.....	...	....	45	00	... ..	....	45	00
											712	53
	1/31	9	Disct. Dr. to Sunds.	Total cash disct..	18	88						
		3	Cash " Mdse .	" retail sales.	....	....	385	25	385	25		
		2	Cash " Sunds.	" receipts.. .	....	....	.....	....	3,533	78	3,533	78
											3,533	78

CASH. *Cr.*

	Folio.				Discount.		Expense.		Sunds.		Amts.	
1885.			By Amounts brought forward		$30	00	$54	05	$2,382	00	$100	75
Jan.	9	4	" E. H. E. Wright & Co	On a/c	....	....	....	....	300	00	300	00
			" Expense	Blotters	....	....		25				
				1 qt. ink	....	....		75				
				Car fare	....	....		20	....	....	1	20
			" Balance	Bank, $476.47; drawer, $22.75..	....	....	....	....	....	....	499	22
											901	17
	10	11	By Johnson & Co	Bill, 2d inst.; $50.	3	00	....	....	47	00		
		11	" Lindsay & Co	" " $25.	1	50	....	....	23	50	70	50
			" Expense	Porter, one week	....	....	10	00				
				Office boy, one week	....	....	3	50	....	....	13	50
			" Balance	Bank, $576.87; drawer, $2	....	....	....	....	....	....	578	87
											662	87
	31	11	By Martin & Brown	Bill, 29th inst., $130; less 7% prompt cash	9	10	....	....	120	90		
			" Expense	Ad. for boy, in *Herald*	....	....	1	00				
		10	" J. Edw. Forth	On a/c	....	....	....	....	15	00		
		10	" J. Virgil Wright	" "	....	....	....	....	20	00	155	90
			" Expense	Porter, one week	....	....	10	00				
				Office boy, one week	....	....	3	50				
				Expressage, pp.	....	....		75				
				Cartage bill on file	....	....	9	50				
				Gas bill	....	....	4	25	....	....	29	00
			" Balance	Bank, $455.97; drawer, $71.66..	....	....	....	....	....	....	527	63
											712	53
	1/31	9	Sunds. Dr. to Disc.	Total cash dis.	43	60						
		3	Expense " Cash.	Total cash expense	....	....	97	75	97	75		
		2	Sunds. " Cash.	Total disbursements	....	....	....	....	3,006	15	3,006	15
			Balance	Carried to Feb. 2.	....	....	....	....	....	....	527	63
											3,533	78

Dr. CASH.

	Folio.				Discount.		Mdse.		Sunds.		Amts.	
1885.												
Feb.	2		To Balance from	Jan. 31							$527	63
		8	" Bills receivable.	Discounted at 1st National Bank Davis & Co.'s note, due May 16, $376.20, @ 6%, 103 days	$6	45			$369	75		
			" Mdse	Retail sales			37	50				
	3		" "	" "			42	00				
	4		" "	" "			45	00				
	5		" "	" "			47	50				
	7	6	" Miller & Bros.	Bill, Jan. 29, $190.40	11	42			178	98	548	73
			" Mdse	Retail sales			35	00			207	00
											1,283	36
	9		To Balance								76	21
		8	" Bills payable	Discounted at 1st National Bank our note, 30 days, $500, @ 6%	2	50			497	50		
			" Mdse	Retail sales			45	00				
			" Bills receivable.	Miller Bros.'note. due 13th, deposited for coll.					77	30		
	14		" Mdse	Retail sales			47	50			92	50
	28	6	" Miller & Bros	Compromised at 50%, $78.80					39	40		
		8	" Bills receivable.	Received from W. C. B. & Co., to be applied in payment of their note, due May 4, for $211.22					100	00	714	20
											882	91
	1/28	9	Disct. Dr. to Sunds.	Total cash Disct.	20	37						
		3	Cash " Mdse.	" retail sales.			299	50	299	50		
		2	Cash " Sunds.	" receipts					1,562	43	1,562	43
			Balance from	Jan. 31							527	63
											2,090	06

CASH.

Cr.

	Folio.			*Discount.*		*Expense.*		*Sunds.*		*Amts.*	
1885.											
Feb. 2		3	By Mdse	J. K. P., bill on file				$50	00		
			" Expense	Dispatch to Cinc.			25				
				Car fare.....			15				
3		10	" J. Edw. Forth..	On a/c				25	00		
			" Expense	Expressage.....			50				
4		8	" Bills payable...	Our note due this day				500	00		
			" Expense.....	Freight from Chicago		$3	50				
5			"	Postage		3	00				
6		11	" J. K. Ross	Bill, Jan. 2, $100..	$5	00		95	00		
			" Expense	Postal cards.....		1	00				
				Charity.....			25				
7		10	" J. Virgil Wright	On a/c.....				15	00		
			" Expense.....	Office boy, one week.....		3	50				
				Porter		10	00			$22	15
		8	" Bills payable...	Our note due 8th.				500	00	1,185	00
			" Balance	Bank, $4.70; drawer, $71.51..						76	21
										1,283	36
9			By Expense.....	Coal, $5.25; labor, 50c.....		5	75				
14		6	" Miller & Bros..	Note due 13th, $77.30; protested—fees, $1.50.				78	80		
			" Expense..	Office boy, one week.....		3	50				
				Porter, one week.		10	00				
21		8	" Bills payable...	Note due to-day..				200	00		
			" Expense.....	Porter, $10; office boy, $3.50.. . .		13	50				
		1	" P. A. Wright...	.....				50	00		
28		8	" Bills payable...	Paid T. C D. & Son on our note due May 5, for $480				180	00	508	80
			" Expense.....	Porter, $10; office boy, $3.50.....		13	50			46	25
			" Balance	Bank, $122.20; drawer, $105.66; check, $100.....						327	86
										882	91
1/28		9	Sunds. Dr. to Dis..	Total Cash Disct.	5	00					
		3	Expense " Cash.	" "Expense			68	40	68	40	
		2	Sunds. " Cash.	" " Disbursements....					1,762	20	1,762	20
			Balance carried	to March 2.....							327	86
											2,090	06

CASH ENTRIES ELUCIDATED.

DEBIT.

January 1, 1885. First two entries show the amount of cash in checks invested in business by P. A. Wright and T. P. Noble, who have formed a copartnership, under the firm-name and style of P. A. Wright & Co., for the purpose of carrying on a wholesale and retail mercantile business, each to receive one half the gains or sustain one half the losses, according to copartnership agreement, filed with the private papers of each partner, no record of which is made on the books. The amounts are entered first in the Sundries column, from which they are posted at the partners' credit in the Ledger.

Upon closing the cash for the day the amount of receipts are extended into the outside column representing the daily cash. See remarks on *Two Cash Books*, page 53.

January 2. The balance shows amount of cash on hand at the beginning of the second day. Next entry is for retail sales representing the total amount of cash received during the day from all the retail salesmen, according to memorandums of sale turned in by each whenever a sale was made, and kept on file or in a pigeonhole until the close of the day, when they are all added together and entered in one amount to the credit of Merchandise in the Merchandise column, the footing of which at the end of the month will be posted on the credit side of Merchandise account in the Ledger.

January 3. Miller Bros. pay by check their bill of January 1, less 6 per cent discount. The net amount of cash is extended into the Sundries column and the discount in the special column for discounts, both amounts being posted at the same time in separate items on the credit side of the customer's account in the Ledger.

Next entry is for retail sales, as before explained. We now close the Cash Book for the two days, not having sufficient number of entries on the second day to justify the operation. We add each column separately and extend the amount into the outside

column, on the last line used in each column. As there is but one amount in the Sundries column we extend it alone.

January 5. The balance is brought down as usual.

First money received was for two notes discounted at our Bank, the net amount of cash and discount being disposed of as in the case of Miller Bros., and a memorandum made on the Check Book charging the Bank with the cash. All checks received from any source are also charged to the Bank daily on Check Book (page 118).

Enter retail sales and close as before.

January 6. Enter retail sales.

January 7. We borrow $500 from our Bank on our note for that amount for 45 days, receiving only $496.25 in cash, the discount being $3.75.

January 8. Only receipts being for retail sales.

January 9. J. C. Brown & Co. give check on the spot for bill of same date without discount. This day's transactions being recorded on part of two pages, we extend the receipts into the outside column on first page, just as if the day's cash was to be closed. We now rule across all the columns and carry the footing of each forward to next page in its respective column.

January 10. We have received returns in a check for draft made on Miller Bros. for net bill which they paid in full, but the Bank through which we drew deducted 25c. exchange as their fee for collecting it.

W. C. Browning & Co. paid sight draft also, and the Bank deducted 15c. exchange.

The two items of exchange are charged to an *Exchange* account through the Journal, from which they are posted on the credit side of the respective accounts on which they occurred.

January 31. Davis & Co. pay in currency their bill of 5th inst., less 5 per cent discount. William French and James Elston also pay in currency their bills of previous day net.

We are now at the end of the month and close all the columns.

Rule a single red line across Discount column only. Cashiers as a unit rule across all the columns on this line and make all their additions on same line; then by an irregular process recapitulate the footings in order to get them under one another. The superiority of this method of closing the Cash

Book, with a system of columns, over the usual way will be appreciated when seen, and adopted without argument.—

Add the column, and explain the footing in form of Journal entry on the left.

On the next line we rule a single red line across Merchandise column, bring down the total footing, and extend it into the Sundries column; it then becomes an item of Sundries, and is posted as we have before stated. On the next line we rule a single red line across Sundries column, the footing of which represents CASH, that is, the total amount of money received during the month. We extend this item into the outside column, balance and close it for the month by drawing double red lines across the entire page from Date column.

By this ingenious and scientific way of dropping one line for each column we can explain each footing, which explanation will refer to all the figures on that line, and give the book a business-like finish, pretty to be seen.

CREDIT SIDE.

January 1. On entering into business it becomes necessary to lay in a supply of furniture for the office. We buy for cash such articles as are enumerated in first entry on this side of Cash Book, and charge them to OFFICE FURNITURE account.

We then buy for cash a set of books and necessary articles of desk ware, all of which we charge to expense by entering the amounts in the Expense column. See remarks on Special Columns, page 52. We kept the various items of office furniture all within the space for descriptive matter until we arrived at the total before extending it: the reason for this is we have to post every item found in the Sundries column, therefore consolidate as many items as possible into one amount.

With the Expense column we post only the footing, hence we extend each line of items separately. Being at the end of the day, we prove the cash, close in red ink, and balance the outside column only, leaving the main columns open to close at the end of the month. The proof of the cash will be finding enough money to equal the balance between the debit and credit side by counting the money in the drawer and adding the amount to the balance in

bank as per Check Book, making a memorandum of each in connection with the closing entry on Cash Book to show at a glance just what shape the cash is in.

January 2. We pay E. H. E. Wright & Co. $500 on account by check. Buy a ton of coal for cash, pay for housing it, buy postage, and charge all to Expense. Close as before, always making a memorandum showing amount in Bank, also in drawer.

January 5. We pay by check Earlington & Co. their bill 1st instant, less 6 per cent discount. Extending net amount of cash into the Sundries column and the amount of discount in its special column, both of which are posted in separate items, but in one amount on the debit side of Earlington & Co.'s account in the Ledger.

Buy postal-cards, pay car-fare and expressage, all of which charge to expense.

Give J. Edward Forth, salesman, $25 on a/c.

January 6. J. Virgil Wright, bookkeeper, takes $10 on a/c, and charges himself.

Pay and charge expense items.

January 7. We send E. H. E. Wright & Co. check for $500 on a/c, also pay by check for their a/c T. Jackson $300, K. C. Wilson $200. Enter each item separately within the space for explanatory matter and extend total into Sundries column, so as to have one item to post instead of three by charging each separately.

Pay little items of expense. Hand the partners whatever they require, charging the amount to their respective accounts.

January 8. Buy job lot of collars from J. K. Pyne and give him currency therefor, as we have no account with him, charge the amount to Merchandise.

January 9. E. H. E. Wright & Co. having drawn on us at sight for $300, we give check to the party presenting draft and charge the amount to a/c E. H. E. W. & Co.

January 10. Pay Lindsay & Co., also Johnson & Co., in currency the amount of their bills of 2d instant, less 6 per cent discount.

Pay porter and office-boy one week's wages and charge to expense. See remarks on accounts with employees—J. V. Wright and J. Edward Forth, page 110.

January 31. Pay by check Martin & Brown's bill 29th instant, less 7 per cent for *spot cash.*

Advertise for boy, pay cartman's bill for cartage during the month, also pay monthly gas-bill, porter and office-boy one week's wages, and charge all to Expense.

Being the last day of the month we close all the special and main columns, on the same principle as explained in connection with the debit side, explaining each footing.

SECOND MONTH.

DEBIT.

February 2. We begin on new page, bringing forward balance from last month, entering it in the outside column, being money on hand and not received this month, and the main columns being designed for money received during the month only.

We discount at our bank Davis & Co.'s note, $376.20. Enter retail sales on each day during the week. Assume that Miller Bros. pay by check their bill 29th ultimo, $190.40, less 6 per cent.

This month we close the cash weekly instead of daily to avoid repetition of the same principle. The main principle to be exemplified is the second monthly closing.

February 9. Borrow $500 from our Bank on our note.

Deposit for collection Miller Bros.' note due on the 13th.* Assuming it will be paid, we enter it as cash received, and charge the bank with the amount on Check Book.

February 28. Assume that Miller Bros. fail, and pay 50% of their indebtedness.

Assume that W. C. Browning & Co. remit $100, to be applied toward payment of their note due May 4.

Being at the end of the month, we close the several columns same as last month, to get monthly results, extend the total into

* The amount being small, we will collect through our Bank instead of foreign Bank.

outside column and bring down the balance, in red ink, that was brought from January 31st, which added to the total receipts will show the total amount of cash handled during the month.

CREDIT.

February 2. Buy another job lot of collars from J. K. Pyne for cash.

February 3. Hand J. Edward Forth $25 on a/c.

February 4. Pay note due to-day, and charge the amount to Bills Payable. Deduct from Bank account, it being paid by our Bank.

February 6. Pay J. K. Ross's bill 2d ultimo, less 5 per cent discount.

February 7. J. Virgil Wright takes $15, and charges same to his a/c.

(Pay porter, office-boy, weekly; also various items of expense daily.)

Pay note due to-day, deduct the amount from Bank account on Check Book and charge it to Bills Payable.

February 9. Buy coal, etc.

February 14. Charge Miller & Bros. amount of their note, $77.30, previously entered as cash, with additional item of $1.50 for protest fees, as it was returned protested. Deduct $77.30 from Bank account, the $1.50 being paid out of the drawer and the only actual money that passed hands.

February 21. Pay note due to-day, deduct from Bank a/c, and charge Bills Payable, as before. Give P. A. Wright $50, and charge his combined capital and personal accounts.

February 28. Remit check for $180 to T. C. Davis & Co., to be applied toward payment of our note held by them, due May 5, for $480.

Being at the end of the month, close same as last month.

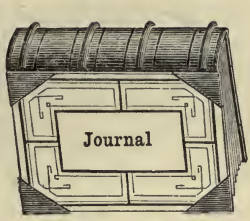
OFFICE ROUTINE.

Each day's work begins upon opening the morning mail. The Manager or Proprietor examines his correspondence, and puts the machinery in motion by distributing the work among the clerks. The letters containing orders are turned over to the Order-clerk, who copies them in the Order-book, numbering each with a colored pencil,—which should always be kept on every clerk's desk,—then files them away temporarily, for convenient reference. The Order-book is then turned over to the Stock-clerk, who selects from the goods in Stock those called for, and has them carried to the *Entry* or *Packing-room*, where they are *charged up* on the Sales-book, then packed in cases for shipment. The bills are then made from the entry on Sales-book, after which it is returned to the Book-keeper's desk.

The letters containing remittances of cash or checks, are turned over to the Book-keeper, who compares the amount of remittances to his Ledger accounts; and, if correct, he so endorses them, and passes them to the Cashier, who enters them in the C. B., then files them temporarily for reference. All papers are filed permanently at the end of the month, by the office boy. The Cash-book is also returned to the Book-keeper's desk.

The letters containing notes or complaints are attended to by the Book-keeper, who also attends to that part of the correspondence relating to settlements, sends receipts for all remittances, and statements explaining any discrepancy that may arise, wherein his account does not agree with that of the customer.

The Proprietor or Manager attends to the general correspondence relating to orders, new contracts, opening accounts with new customers, looking up their reference, investigating their financial rating, directing travelling salesmen in their routes, and seeing that they are kept supplied with proper line of samples, etc. See OFFICE ROUTINE ILLUSTRATED, on pages 241 and 242; also Chart 243 and 244.



It is not the peculiarities in the arrangement of the matter contained in this book that designates it as a JOURNAL, as that is the name of any blank-book similarly ruled. The Cash-book is also a *Journal*, but of the cash transactions only. The Sales-book is a journal of the sales only, and being special journals they are called by the name indicative of the special purpose for which each is used. The book we call JOURNAL, being used as a general record, cannot be designated by any special name; hence it is not otherwise named. It is usually ruled with two double columns on the right-hand side of the page, one being for debit amounts and the other for credit amounts, both of which are understood to be *Sundries* columns. There is also a double column on the left-hand side of the page for dates (months and days). When there are more than two double columns used for amounts they are introduced for special purposes, as will be indicated by the headings of each. In our Journal will be found two special columns, *Mdse. Dr.*, and *E. H. E. W. & Co., Cr.* The former will contain all items of *Mdse.*, received from any source. The latter will contain the amount of each bill bought of E. H. E. Wright & Co. only, who are supposed to be our principal creditors and from whom we would receive more goods than from any other firm, and for that reason we give them a special column. The various amounts found in the special columns will not be posted but passed and checked thus ($\surd$), showing they were passed purposely and will be reconsidered at the end of the month, in the final footing of each column which will be posted. We would have as many special columns, therefore, as we have very active accounts, and if we have more such accounts than the space in the Journal would admit of special columns we would give the *most active* the special columns and enter the others in the Sundries column.

The limited number of items found in our special columns would not be enough to justify their use, but they serve to illustrate the idea as to how they are used and demonstrate their great advantage in a large business.

Many years ago we met with a four-column journal, in a large business, the peculiarity of which was that the debit columns were on the left of the page and the credit columns were on the right, the accounts intervening. It seemed to be an ingenious arrangement of the matter, but if not altogether impracticable it was decidedly awkward, to say the least, in closing them at the end of the month, and for that reason we discontinued the book and introduced a Journal properly ruled with the columns all on the right.

Several years afterwards a publication on bookkeeping appeared in which the pseudo-author introduced the four-column Journal of the kind above alluded to,—that is, the debits on the left and the credits on the right,—claiming originality of the idea, when in fact it had been conceived, materialized, and abandoned by somebody else many years before, and met with and repudiated by us also long before it appeared in the publication alluded to in which that is made the leading feature.

The dates of entries on our Journal appear in the middle of the page, and the Ledger folios on the left, in the column originally designed for dates.

Every Journal entry explains itself ; that is, after each appears a recital of the facts as they occurred, thereby constituting what may be termed the Day-book entry. It would be impracticable to post from that arrangement of matter ; hence it must be resolved into the foregoing form, or in other words *journalized.* In business methods of book-keeping, therefore, the Journal entry is made first, followed by the day-book entry, combining the two into one. All Journal entries could be made according to our FIRST FORM. The object of the other three forms is to combine as many items as possible into one, and thereby save posting. The arrangement of blank lines in our FOURTH FORM would admit of four different combinations like the FIRST FORM, which would make eight amounts to be posted instead of four.

JOURNAL FOR JANUARY, 1885.

		Mdse. Dr. E. H. E. W. & Co. Cr.		*Dr. Sunds. Cr.*					
	1								
	Mdse. Dr. To. Sunds.....	$2,000	00						
	To E. H. E. Wright & Co.....			$1,000	00				
5	" Earlington & Co.....							$500	00
5	" Sandiford & Co.....							500	00
	As per bill on file,								
	Which carries with it the idea that the goods have been purchased, otherwise the bills would not be filed, but thrown away.								
	2								
8	Bills Receivable. Dr. To Sunds.....					$327	61		
7	To J. C. Brown & Co.....							131	76
	Received their note dated 1st inst., at 60 days, in settlement of bill same date, $137.25, less 4% discount, $5.49 = $131.76.								
7	To W. C. Browning & Co....							195	85
	Received their note dated 1st inst., at 90 days, in settlement of bill same date, $201 90, less 3% discount, $6.05 = $195 85.								
	We have made a separate entry for the discount (see below), although it might have been incorporated in this entry, which would have made it "Sundries Dr. To Sundries."								
	2								
9	Discount. Dr. To Sunds.....					11	54		
7	To J. C. Brown & Co.....							5	49
	Allowed them 4% discount on bill Jany. 1st $137 25								
7	To W. C. Browning & Co....							6	05
	Allowed them 3% discount on bill Jany. 1st..... ..... $201 90								
	2								
	Mdse. Dr. To Sunds.....	675	00						
11	To J. K. Ross & Co.....							100	00
11	" Johnson & Co.....							50	00
4	" T. C. Davis & Son..							500	00
11	" Lindsay & Co....							25	00
	As per bills of this date on file.								
	5								
8	Sundries. Dr. To Bills Payable.....							980	00
5	Sandiford & Co					500	00		
	Gave them our note at 30 days, from 1st inst., to balance a/c.								
4	T. C. Davis & Son.....					480	00		
	Gave them our note at 4 mos. from 2d inst., in settlement of bill, $500, less 4% dis. $20 = $480.								
	5								
4	T. C. Davies & Son. Dr.....								
9	To Discount....					20	00		
	Allowed us 4% dis. on bill Jany. 2, $500 = $20.							20	00
	10								
9	Exchange. Dr. To Sunds.....						40		
6	To Miller Bros.								25
7	" W. C. Browning & Co....								15
	Allowed them exchange on collections by draft. See C. B., folio 2.								
	Amounts carried forward.....	$2.675	00	$1,000	00	$1,339	55	$3,014	55

JOURNAL FOR JANUARY, 1885—*Continued.*

		Mdse.	*Dr. E. H. E. W. & Co. Cr.*	*Dr.*	*Sunds. Cr.*
	10				
	Amounts brought forward....	$2,675 00	$1,000 00	$1,339 55	$3,014 55
	Mdse. Dr.....	500 00			
	To E. H. E. Wright & Co.....		500 00		
	As per bill on file.				
	10				
8	Bills Receivable. Dr			77 30	
6	To Miller Bros				77 30
	Received their note at 30 days for net bill of this date.				
	23				
	Sunds. Dr. To Sunds.....				
8	Bills Receivable.....			657 24	
9	Discount.....			11 71	
7	To Davis & Co.....				376 20
	Received their note at 4 mos. from Jany. 15th; average date of bills Jany. 1st and 19th, in settlement of those bills.				
6	To J. C. Brown & Co				292 75
	Received their note at 60 days from Jany. 19th; average date of bills Jany. 9th and 23d, $292.75, to settle the same, less 4% disc. $11.71 = $281.04.				
	In posting Davis & Co.'s credit we say "By Sunds," which would indicate they were credited by two accounts, when, in fact, they are credited by "Bills Rec'd" only. It is necessary to say "By Sunds." to enable us to retrace the matter from the Ledger to this entry.				
	23				
4	E. H. E. Wright & Co. Dr.....			281 04	
8	To Bills Receivable.....				281 04
	Transferred to them on a/c J. C. Brown & Co.'s note due Mar. 23d.				
	23				
	Mdse. Dr. To Sunds	1,500 00			
	To E. H. E. Wright & Co....		1,000 00		
5	" Sandiford & Co.....				500 00
	As per bills of this date on file.				
	29				
4	E. H. E. Wright & Co. Dr..			200 00	
8	To Bills Payable.....				200 00
	Their draft on us at 20 days' sight, which we this day accepted on a/c.				
	29				
	Mdse. Dr. to Sunds	225 00			
11	To W. F. Saxe & Co.....				95 00
11	" Martin & Brown.....				130 00
	As per bills on file this date.				
	Amounts carried forward ...	$4,900 00	$2,500 00	$2,566 00	$4,966 84

JOURNAL FOR JANUARY, 1885—*Continued.*

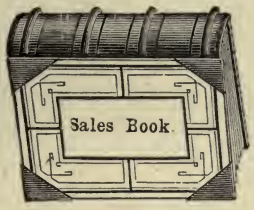
		Mdse. Dr.		*E. H. E. W. & Co. Cr.*		*Dr. Sunds. Cr.*			
	Amount brought forward . . .	$4,900	00	$2,500	00	$2,566	84	$4,966	84
	— 30 —								
	Mdse. Dr To Sunds	1,750	00						
	To E. H. E. Wright & Co....			1,000	00				
5	" Earlington & Co... .							750	00
	Jany. 23d.... .. $400								
	" 25th..... 200								
	" 30th..... 150								
	$750								
	Goods purchased on a/c as per bills on file.								
	The three bills from Earlington & Co. are all supposed to have come to our attention at the same time; the date and amount of each must appear in the Journal entry, but only the total in the Ledger.								
	— 31 —								
7	Sunds. Dr. To W. C. Browning & Co.							217	75
8	Bills Receivable.....					211	22		
9	Discount.....					6	53		
	Our draft on them at 90 days' sight, which they this day accepted in payment of bill 28th inst..... .....$217 75								
	Less 3% discount..... 6 53								
	— 31 —								
3	Expense. Dr. To Sundries.....					400	00		
10	To J. Edward Forth.....							125	00
10	" J. Virgil Wright..							125	00
	For services in Jany. as per agreement.								
10	To A. J. Sheldon.....							150	00
	Rent of store in Jany. as per lease..								
	Mdse. Dr. To Sunds. (total purch's).	$6,650	00			6,650	00		
	E. H. E. W. & Co., Cr. by Mdse. (total amount bought of them)..			$3,500	00			$3,500	00
						$9,834	59	$9,834	59

JOURNAL FOR FEBRUARY, 1885.

	— 2 —				
3	Mdse. Dr	$250	00		
8	To Bills Payable....			$250	00
	Our note at 30 days, in favor of J. K. Pane, to settle his bill on file.....				
	— 14 —				
6	Miller & Bros. Dr.....		40		
3	To Interest.....				40
	6% interest for 30 days on renewal of their note protested for non-payment, $77.30; including protest fees, $1.50				
	— 14 —				
8	Bills Receivable. Dr	79	20		
6	To Miller & Bros			79	20
	Received their note this date at 30 days, in renewal of note protested, $77.30, including protest fees, $1 50, and 30 days interest @ 6% = .40, for time new note has to run..				

JOURNAL FOR FEBRUARY, 1885—*Continued.*

	28				
8	Bills Payable. Dr.		1	98	
3	To Interest				1 98
	6% interest on $180 (am't paid on our note due May 5th, for $480) for 66 days unexpired time.				
	28				
6	Miller & Bros. Dr.		79	20	
8	To Bills Receivable				79 20
	Returned to them their note due March 19th, $79.20, the am't having been included in their settlement at 40 cents on the dollar.				
	28				
3	Interest. Dr.		2	81	
4	To E. H. E. Wright & Co.				2 81
	Allowed them 6% int. for unexpired time, 60 days, on J. C. Brown & Co.'s note, $281.04, due Mar. 24, which we transferred to them on a/c, Jany. 23.				
	28				
3	Interest. Dr		1	08	
8	To Bills Receivable				1 08
	Allowed W. C. Browning 6% on $100 paid by them on their note due May 4, for $211.22, 65 days before maturity.				
	28				
12	Profit and Loss. Dr.		$39	80	
6	To Miller & Bros.				$39 80
	50% of their account, $79.20, lost by their failure.				
	28				
3	Mdse. Dr.		26	00	
7	To Davis & Co.				26 00
	2 doz. No. 4 Shirts returned by them, not being equal to sample.				
	28				
3	Expense. Dr. To Sunds.		400	00	
10	To J. Edward Forth.				125 00
10	" J. Virgil Wright.				125 00
	For services in Feby., as per agreement.				
10	To A. J. Sheldon.				150 00
	Rent of store for Feby., as per lease.				



This book is peculiar to the mercantile business and is sometimes called the Day-book; it is by no means the kind of day-book used in our so-called business colleges, or as used in the old style of bookkeeping of long ago, which contained a history of all business transactions, and which necessitated the intermediate book called JOURNAL, into which the matter was rearranged under ledger titles, a process then known as *journalizing*, and which is still the usual acceptation of the meaning, but not ours, as will appear in our *preface*. It will be observed that the Sales-book is the principal book of *charges* against our customers. Any other kind of business may also have a principal book of *charges*, the name of which would be suggested by the nature of the business, or possibly be called THE BLOTTER, and would be managed the same as the SALES-BOOK, from which the amount of each *charge* is posted directly into the Ledger to the debit side of the customer's account, and the totals of all the amounts at the end of the month posted on the credit side of whatever account represented the business. The figures on the left-hand side of the page in our Sales-book indicate the Ledger pages to which the matter has been transferred and are, therefore, our post-mark or the evidence that we have posted. If there is a great deal of posting to be done, and we are not familiar with the exact location of the account on the Ledger, we first place opposite each name on the SALES-BOOK the Ledger-page, which is ascertained from the Ledger-index before making any transfers; then, after transfering each or posting, it becomes necessary to check each account thus √, showing it has been posted: those not checked will, of course, be understood as still to be posted, and indicate which we are to begin with upon resuming that operation, which for any reason may have been discontinued before finishing. The

figures in the middle of the page dividing the line that is drawn between each entry are the dates of entry.

The customer's name and the terms of sale alone should be written on the first line, and the address on the next line, beginning about the middle of the page. This would prevent unnecessary crowding of the matter, at the same time adding to the neatness of the manuscript.

By the terms is meant the conditions of the sale in relation to time of payment and discount, which are usually stated thus: 6% 10 days, 5% 30 days, 4% 60 days, 3% 90 days, or 4 mos. net,—meaning that the customer sold on 5% 30 days will be required to pay the bill at the expiration of the 30 days, less 5% of the amount, which would be an inducement to make him pay promptly. The penalty for not paying would be forfeiture of the discount. The customer sold on 4% 60 days has the advantage in time over the 30-days customer, but no advantage in discount being allowed only 4%, but required to pay in the time specified—60 days—he can pay at the expiration of 30 days if he prefers, and thereby avail himself of the 30-day discount of 5%; and so on with the other customers. Any customer sold on 4 mos. net would have great advantage in time, but would be entitled to no discount if he took full time. The time would be determined by the customer's financial rating; the more capital he has, the longer time would be given him, and, as a rule, the quicker he would pay, availing himself of the greatest discount. Any one paying within 10 days would be entitled to 6% discount. If, by oversight or otherwise, a 30-days customer's account is permitted to run 60 days he would be entitled to 4% discount, same as a regular 60-days customer, forfeiting 1% for each 30 days until 4 mos., when his account would become net, that is, subject to no discount. After 4 mos., any account would begin to draw interest at 6% per annum until settled. A few days past maturity would make no difference in the discount until after 15 days, when one half of one per cent would be forfeited. With a good customer, however, we could not afford to be particular, and if he deducted full discount 20 days after his account was due it would not be questioned; in fact, any small claim made by a good customer would be allowed and credited in his account, rather than incur the risk of offending

him, and thereby losing his trade. Such matters as these are not left to the bookkeeper, but would be adjusted by the financier or managing partner, except when, in the bookkeeper's judgment, they seem to be just, in which case they are not brought to the attention of the financier. It requires sound judgment, therefore, to be a good bookkeeper and know how to deal with customers without giving offence.

When bills are dated ahead the discount is reckoned from the future date, which would appear in connection with the terms and therefore be part of the terms. For instance, goods delivered July 1st with the bill dated 30 days ahead, the terms would be stated, 5% 30 days, *Aug. 1st*, which would mean the bill would be payable Sept. 1st, less 5%, and so on with the various other terms as before explained. It would virtually be 5% off at the expiration of 60 days from regular date of bill, or the date the delivery was made. The object of dating bills ahead is to induce buyers to place their order for goods during the dull season, or before their regular time for laying in their supply of seasonable goods, giving them the advantage of time between the two dates in which to dispose of their wares.

TRANSCRIPT.

In a large business where there are many entry-clerks, two Sales-books are required for each, which are used on alternate days, and which, of course, would necessitate many Sales-books. It would not be convenient to post from so many books; therefore a Transcript of the dates, names, addresses, terms, and amounts are made from each Sales-book into a book called *Transcript*, which is specially ruled with columns to show those facts, also columns for amount of sales for each department, and from which the sales are posted. The object of having two Sales-books for each entry-clerk is, that while one is being used for entering goods the other, which was used on the previous day, can be used for making the transcript.

THURSDAY, JAN. 1st, 1885.

6	Miller Bros., 5%, 30 d.				
	St. Louis, Mo.				
	3 Doz. No. 1 Shirts.....@ $10.00	$30	00		
	3 " " 2 " .....@ 11.00	33	00		
	2 " " 3 " .....@ 12.00	24	00		
	1 " " 4 "	13	00		
	12 " Collars.....@ 1.60	19	20		
	4 " Cuffs.....@ 3.60	14	40		
	Case and cartage....	1	25	$134	85
6	J. C. Brown & Co., 4%, 60 d.				
	Chicago, Ill.				
	2½ Doz. No. 1 Shirts.....@ $10.00	25	00		
	3 " " 2 " .....@ 11.00	33	00		
	2 " " 3 " .....@ 12.00	24	00		
	1 " " 4 "	13	00		
	½ " " 5 " .....@ 14.00	7	00		
	10 " Collars.....@ 1.60	16	00		
	5 " Cuffs.....@ 3.60	18	00		
	Case and cartage....	1	25	137	25
	2				
7	W. C. Browning & Co., 3%, 90 d.				
	Detroit.				
	4 Doz. No. 1 Shirts.....@ $10.00	40	00		
	4 " " 2 " .....@ 11.00	44	00		
	2 " " 3 " .....@ 12.00	24	00		
	2 " " 4 " .....@ 13.00	26	00		
	2 " " 5 " .....@ 14.00	28	00		
	15 " Collars.....@ 1.60	24	00		
	4 " Cuffs.....@ 3.60	14	40		
	Case and cartage....	1	50	201	90
	3				
7	Davis & Co., 4 m. net.				
	Cincinnati.				
	3½ Doz. No. 1 Shirts.....@ $10.00	35	00		
	3 " " 2 " .....@ 11.00	33	00		
	2 " " 3 " .....@ 12.00	24	00		
	2 " " 4 " .....@ 13.00	26	00		
	2 " " 5 " .....@ 14.00	28	00		
	12 " Collars.....@ 1.60	19	20		
	Case and cartage....	1	25	166	45
	5				
7	W. C. Browning & Co., Net, 30 d.				
	Detroit.				
	1 Doz. Shirts, to order.....	24	00	24	00
	6				
7	Davis & Co., 4 m. net.				
	Cincinnati,				
	3 Doz. No. 6 Shirts.....@ $14.50	43	50		
	4 " Cuffs.....@ 3.60	14	40	57	90
	Amount carried forward.....			722	35

WEDNESDAY, JAN. 7th, 1885.

	Amount brought forward.....				$722	35
6	Miller Bros., 5%, 30 d.					
	St. Louis.					
	2 Doz. No. 5 Shirts.....@ $14.00	$28	00			
	2 " " 6 " .....@ 14.50	29	00			
	5 " Collars.....@ 1.60	8	00			
	3 " Cuffs.....@ 3.60	10	80			
	Case and cartage....	1	00		76	80
	8					
7	Davis & Co., Net, 30 d.					
	Cincinnati.					
	1 Doz. A1 Shirts, to order.....	24	00			
	½ " " " .....@ $26.00	13	00		37	00
	9					
6	J. C. Brown & Co., Net, 30 d.					
	Chicago.					
	½ Doz. Shirts, to order.....@ $26.00	13	00		13	00
6	J. C. Brown & Co., 4%, 60 d.					
	Chicago.					
	3 Doz. No. 6 Shirts.....@ $14.50	43	50			
	2 " " 7 " .....@ 15.00	30	00			
	4 " Cuffs.....@ 3.50	14	00			
	Case and cartage....		75		88	25
	10					
6	Miller Bros., Net, 30 d.					
	St. Louis.					
	1 Doz. A1 Shirts, to order.....	24	00			
	1½ " A2 " " .....@ $23.00	34	50			
	½ " " " .....@ 26.00	13	00			
	1 " Collars.....	1	90			
	1 " Cuffs.....	3	90		77	30
	19					
7	Davis & Co., 4 mos.					
	Cincinnati.					
	5 Doz. No. 1 Shirts.....@ $10.00	50	00			
	5 " " 2 " .....@ 11.00	55	00			
	5 " " 3 " .....@ 12.00	60	00			
	15 " Collars.....@ 1.50	22	50			
	6 " Cuffs.....@ 3.50	21	00			
	Case and cartage....	1	25		209	75
	23					
6	J. C. Brown & Co., 4%, 60 d.					
	Chicago.					
	6 Doz. No. 1 Shirts.....@ $10.00	60	00			
	4 " " 2 " .....@ 11.00	44	00			
	5 " " 3 " .....@ 12.00	60	00			
	3 " " 4 " .....@ 13.00	39	00			
	Case and cartage....	1	50		204	50
	Amount carried forward.....				1,428	95

WEDNESDAY, JAN. 28th, 1885.

	Amount brought forward.....			$1,428	95
7	W. C. Browning & Co., 3%, 90 d.				
	Detroit.				
	5 Doz. No. 1 Shirts.....@ $10.00	$50	00		
	5 " " 3 " .....@ 12.00	60	00		
	4 " " 5 " .....@ 14.00	56	00		
	15 " Collars.....@ 1.50	22	50		
	8 " Cuffs.....@ 3 50	28	00		
	Case and cartage....	1	25	217	75
	29				
6	Miller Bros., 5%, 30 d.				
	St. Louis.				
	5 Doz. No. 1 Shirts.....@ $10.00	50	00		
	5 " " 4 " .....@ 13.00	65	00		
	3 " " 6 " .....@ 14.50	43	50		
	10 " Collars.....@ 1.60	16	00		
	4 " Cuffs.....@ 3.60	14	40		
	Case and cartage....	1	50	190	40
	30				
11	Wm. French, Net, 30 d.				
	City.				
	½ Doz. Shirts, to order.....@ $25.00	12	50		
	1 " Collars.....	1	75		
	1 " Cuffs	4	00	18	25
6	J. C. Brown & Co., 4%, 60 d.				
	Chicago.				
	5½ Doz. No. 1 Shirts.....@ $10.00	55	00		
	4 " " 2 " .....@ 11.00	44	00		
	4 " " 3 " .....@ 12.00	48	00		
	12 " Collars.....@ 1.60	19	20		
	6 " Cuffs .....@ 3.60	21	60		
	Case and cartage....	1	50	189	30
11	Wm. Ward, Net, 30 d.				
	Jersey City.				
	½ Doz. Shirts, to order.....@ $25.00	12	50		
	1 " Collars	1	75		
	1 " Cuffs.....	3	90	18	15
11	James Elston, Net, 30 d.				
	Brooklyn.				
	½ Doz. Shirts, to order.....@ $27.00	13	50		
	1 " Collars.....	1	90	15	40
	31				
11	L. Powell, Net, 30 d.				
	City.				
	1 Doz. Shirts, to order.....	26	00		
	1 " Collars.....	1	90		
	1 " Cuffs.....	3	90	31	80
	Amount carried forward.....			2,110	00

SATURDAY, JAN. 31st, 1885.

	Amount brought forward.....			$2,110	00
7	W. C. Browning & Co., 3%, 90 d.				
	Detroit.				
	5 Doz. No. 2 Shirts.....@ $11.00	$55	00		
	5 " " 4 " .....\....." 12.00	60	00		
	5 " " 6 " ....." 13.00	65	00		
	12 " Collars....." 1.60	19	20		
	4 " Cuffs..... ..." 3.60	14	40		
	Case and cartage....	1	50	215	10
3	Total sales in Jan.....			$2,325	10

MONDAY, FEBRUARY 2d, 1885.

7	W. C. Browning & Co., 3/90.				
	Detroit.				
	4 Doz. No. 1 Shirts.....@ $10.00	$40	00		
	4 " " 2 " ....." 11.00	44	00		
	4 " " 3 " ....." 12.00	48	00		
	3 " " 4 " ....." 13 00	39	00		
	12 " Collars....." 1.60	19	20		
	4 " Cuffs....." 3.60	14	40		
	Case and cartage....	1	50	$206	10
	9				
7	Davis & Co., 4 m.				
	Cincinnati.				
	5 Doz. No. 1 Shirts.....@ $10.00	50	00		
	5 " " 2 " ....." 11.00	55	00		
	4 " " 3 " ....." 12.00	48	00		
	2 " " 4 " ....." 13.00	26	00		
	10 " Collars....." 1.60	16	00		
	5 " Cuffs....." 3.60	18	00		
	Case and cartage....	1	50	214	50
	28				
6	J. C. Brown & Co., 4/60.				
	Chicago.				
	3 Doz. No. 1 Shirts.....@ $10.00	30	00		
	3 " " 2 " ....." 11.00	33	00		
	2 " " 3 " ....." 12.00	24	00		
	12 " Collars....." 1.60	19	20		
	6 " Cuffs..... ....." 3.60	21	60		
	Case and cartage....	1	50	129	30
3	Total sales in February.....			$549	90

TRIAL BALANCE.

We draw off a Trial Balance the last day of every month, or as soon thereafter as possible, before any posting is done for the new month. The twofold object is to prove our posting, and enable us to see at a glance the actual condition of each account.

The usual form of a Trial Balance consists of a sheet of Journal paper having two columns on the extreme right, on which we transfer every unbalanced account in the Ledger, beginning with the partners' stock accounts, adding each side of every account on the Ledger in small pencil figures close to the last amount, so as not to be obscured by the next entry posted. We take the difference, placing it in small pencil figures on the greater side near the folio column for reference; also transferring it to the Trial Balance in right-hand column if credit side is the greater, and in the left-hand column if the debit side be greater. If our posting is correct and no error is made making out the Trial Balance, the footing of the two columns will be equal. If the Trial Balance is correct the pencil footings on the Ledger are also correct, and the work up to that point will not have to be gone over again on making Trial Balance for the next month; hence the pencil footings are never erased. (Read page 247.)

Another form of *Trial Balance* consists of a sheet with four columns, two on the left and two on the right of the names; the two innermost, or those next to the names, being for the total amount of business represented by each account during the current month both on the debit and credit side. The two outside columns, one on the extreme right and one on the extreme left, will show the balance same as in first form of Trial Balance alluded to. The two columns representing total amounts must agree in their footing; also agree with the total footing of debit and credit side of Cash Book, footing of Sales Book and Journal, including the footings of the two discount columns in Cash Book.

If neither of them agree with the total footings of all the books, we prove one side at a time by going over the Ledger again, examining that side only in each account, and if necessary check the postings on that side. After proving both columns in

this manner, which can be done with less mental strain than is required in proving the *difference* in the first form of Trial Balance, inasmuch as we are contemplating but one thing at a time instead of three things at the same time, we then prove the balance or outside columns from the Trial Balance alone, laying aside the Ledger altogether. We keep the Trial Balance for the previous month before us: if the balance therein is a credit, we add it to the *amount* in column representing total credits in new Trial Balance, and take the difference beeween the result thus obtained and the amount in the column representing total debits in new Trial Balance, placing it in the outside column on whichever side is greater. If no mistake is made in the operation, the difference thus obtained will be the correct balance for the new Trial Balance to an absolute certainty. For better understanding of the process see Trial Balance for February on page 115.

The four-column Trial Balance requires a trifle more work and many more figures in the beginning, but in the long-run will prove to be a great economizer of time and diminish the anxiety every bookkeeper experiences when he has an error in his Trial Balance, to say nothing of the monotony and annoyance occasioned by going over the Ledger time and again with the same fruitless result. See SIXTH AFTERTHOUGHT, page 228.

CHARTERED ACCOUNTANT.

This is a species of bookkeeper peculiarly indigenous to England and Scotland and a rare exotic in this country. To become a *Chartered Accountant* one must have served a five years' apprenticeship, same as a poor shoemaker who aspires to become a full-fledged cobbler. It is *absurd* for any one capable of reasoning from cause to effect to waste five years mastering this simple science. The *Charter* is a kind of combination *certificate* of proficiency in accounting and a *license* to practise it.

We had occasion once to examine a set of books that had been started and kept according to a plan laid out by a so-called *Chartered Accountant*, and we were amused to find on the main Ledger an account called *General Debtors*, which was a summary of debit and credit results, the details of which had been posted

on the Customers' Ledger, the balance agreeing with the net balance in all the accounts in that Ledger. Its object seemed to be to have the main Ledger balance within itself, which is not at all necessary, and to require a seemingly but not actually shorter Trial Balance. The Customers' accounts must each be reduced to a balance any way, hence it is better to begin the Trial Balance with the accounts on the main Ledger and continue it with the names from the Customers' Ledger, proving both Ledgers with one Trial Balance, and dispensing with the superfluous or meaningless *General Debtors'* account.

THE LEDGER.

According to *old fogy* methods *every transaction* was first recorded in the *Day-book* or *Memorial* in a manner more remarkable for its verbosity than for either its faultless syntax or perspicuity; it was then rearranged in the *Journal*, a process called *journalizing*, thence *posted*, thus making three entries, *first*, *intermediate*, and *final*.

According to modern methods the *intermediate* entry is dispensed with, also the desuete *Day-book*, the *first entry* being made in books specially designed, and the *final entry* in the Ledger, the design of which is continued in its primitive simplicity.

The original design being so near perfect that but few innovations have been suggested, none of which have ever successfully superseded it in popular usage. The most noteworthy was interchanging the positions of credit dates and credit amounts, that is, placing the dates on the extreme right of the page, and the amounts in the middle of the page next to the debit amounts. The *balance column*, that some use in the Ledger, is wholly superfluous, and is *love's labor lost*, except in Banks where the balance must be shown after each entry is made to guard against overdraft of depositors. The disarrangement of dates in the Ledger has no significance further than to show that posting had run behindhand.

Dr. P. A. WRIGHT. *Cr.*

1885.						1885.					
Jan.	7	To Cash.....	1	$12	00	Jan.	1	By Cash.....	1	$1,000	00
Feb.	21	" "	3	50	00	Feb.	28	" Profit and Loss....	12	225	23
	28	" Balance.....	12	1,163	23						
				1,225	23					1,225	23
						1885.					
						Mar.	1	By Bal. br'ght down.. ...		1,163	23

Dr. T. P. NOBLE. *Cr.*

1885.						1885.					
Jan	7	To Cash..	1	$20	00	Jan.	1	By Cash.....	1	$1,000	00
Feb.	28	" Balance.....	12	1,205	23	Feb.	28	" Profit and Loss....	12	225	23
				1,225	23					1,225	23
						1855.					
						Mar.	1	By Bal. br'ght down.. ...		1,205	23

Dr. OFFICE FURNITURE. *Cr.*

1885.						1885.					
Jan.	1	To Cash.....	1	$245	00	Feb.	28	By Balance.....	12	$245	00
1885.											
Mar.	1	To Bal. br'ght down.	...	245	00						

Dr. CASH. *Cr.*

1885.						1885.					
Jan.	1/31	To Sundries.....	2	$3,533	78	Jan.	1/31	By Sundries.....	2	$3,006	15
Feb.	1/28	" "	3	1,562	43	Feb.	1/28	" "	3	1,762	20
						"	28	" Balance.....	12	327	86
				5,096	21					5,096	21
1885.											
Mar.	1	To Bal. br'ght down.	...	327	86						

Dr. MERCHANDISE. *Cr.*

1885.						1885.					
Jan.	8	To Cash.....	1	$100	00	Jan.	1/31	By Cash.....	2	$385	25
	1/31	" "		6,650	00		1/31	" Sunds.....	4	2,325	10
Feb.	2	" Bills Payable...	4	250	00	Feb.	1/28	" Cash	3	299	50
		" Cash.....	3	50	00		28	" Sunds.....	5	549	90
	28	" Davis & Co.....	5	26	00		28	" Inventory.	6	4,975	00
	28	" Profit and Loss.	12	1,458	75						
1885.				8,534	75					8,534	75
Mar.	1	To Bal. (Inventory) brought down...	....	4,975	00						

Dr. EXPENSE. *Cr.*

1885.						1885.					
Jan.	1/31	To Cash..	2	$97	75	Feb.	28	By Profit and Loss..	12	$966	15
	31	" Sunds	3	400	00						
Feb.	1/28	" Cash.....	3	68	40						
	28	" Sunds.....	5	400	00						
				966	15					$966	15

Dr. INTEREST. *Cr.*

1885.						1885.					
Feb.	28	To E. H. E. Wright				Feb.	14	By Miller Bros.....	4		40
		& Co....	4	$2	81		28	" Bills Payable.....	4	$1	98
	28	" Bills Receivable..	5	1	08		28	" Profit and Loss...	12	1	51
				3	89					3	89

Dr. E. H. E. WRIGHT & CO. *Cr.*

1885.						1885.					
Jan.	2	To Cash	1	$500	00	Jan.	1/21	By Mdse, n/30	1	$3,500	00
	7	" "	1	1,000	00						
	9	" "	2	300	00	Feb.	28	" Interest.	4	2	81
	23	" Bills Receivable	2	281	04						
	29	" Bills Payable	2	200	00						
Feb.	28	" Balance	12	1,221	77						
				3,502	81					3,502	81
						1885.					
						Mar.	1	By Bal. br'ght down.		1,221	77

Dr. T. C. DAVIS & SON. *Cr.*

1885.						1885.					
Jan.	5	To Bills Payable	1	$480	00	Jan.	2	By Mdse., 4%, 4/m	1	$500	00
	5	" Discount	1	20	00						
				500	00					500	00

Dr. EARLINGTON & CO. *Cr.*

1885.						1885.					
Jan.	5	To Cash, $470; disct., $30	1	$500	00	Jan.	1	By Mdse, 5/30	1	$500	00
Feb.	28	To Balance	12	750	00		23	" " 5/30	2	750	00
				1,250	00					1,250	00
						1885.					
						Mar.	1	By Bal. br'ght down.		750	00

Dr. SANDIFORD & CO. *Cr.*

1885.						1885.					
Jan.	2	To Bills Pay	1	$500	00	Jan.	1	By Mdse. n/30	1	$500	00
Feb.	28	" Balance	12	500	00		23	" " n/30	2	500	00
				1,000	00					1,000	00
						1885.					
						Mar.	7	By Bal. br'ght down.		500	00

Dr. MILLER & BROTHERS, St. Louis. *Cr.*

1885.						1885.					
Jan.	1	To Mdse, 5/30.....	1	$134	85	Jan.	3	By Cash, $126.76; discount, $8.09.....	1	$134	85
	5	" " "	2	76	80						
	10	" " n/30.....	2	77	30		10	By Cash.	2	76	55
	29	" " 5/30.....	3	190	40		10	" Exchange.....	2		25
Feb.	14	" Cash.....	3	78	80		10	" Bills Rec.....	3	77	30
	14	" Int....	4		40	Feb.	7	" Cash, $178.98; discount, $11.42.....	3	190	40
	28	" Bills Rec.....	4	79	20		14	" Bills Receivable..	4	79	20
							28	" Profit and Loss..	5	39	80
							28	" Cash.....	3	39	40
				637	75					637	75

Dr. J. C. BROWN & CO., Chicago. *Cr.*

1885.						1885.					
Jan.	1	To Mdse, 4/60.....	1	$137	25	Jan.	2	By Bills Receivable..	1	$131	76
	9	" " n/30.....	2	13	00		2	" Discount.....	1	5	49
	9	" " 4/60.....	2	88	25		9	" Cash.....	1	13	00
	23	" " 4/60.....	3	204	50		23	" Sunds.....	2	292	75
	30	" " 4/60.....	4	189	30	Feb.	28	" Balance.....	12	318	60
Feb.	28	" " 4/60.....	5	129	30						
				761	60					761	60
1885.											
Mar.	1	To Bal. br'ght down. ...		318	60						

Dr. W. C. BROWNING & CO., Detroit. *Cr.*

1885.						1885.					
Jan.	1	To Mdse., 3/90	1	$201	90	Jan.	2	By Bills Receivable..	1	$195	85
	5	" " n/30	2	24	00		2	" Discount.....	1	6	05
	28	" " 3/90	3	217	75		10	" Cash	2	23	85
	31	" " 3/90	4	215	10		10	" Exchange.....	2		15
Feb.	2	" " 3/90	5	206	10		31	" Sunds.....	3	217	75
						Feb.	28	" Balance	12	421	20
				864	85					864	85
1885.											
Mar.	1	To Bal. br'ght down. ...		421	20						

Dr. DAVIS & CO. Cincinnati. *Cr.*

1885.						1885.					
Jan.	1	To Mdse, 4/m.....	1	$166	45	Jan.	23	By Sunds.....	2	$376	20
	5	" " 4/m.....	2	57	90		31	" Cash, $55.01; dis-			
	8	" " n/30.....	2	37	00			count, $2.89.....	2	57	90
	19	" " 4/m.....	3	209	75	Feb.	28	" Mdse	5	26	00
Feb.	9	" " 4/m.....	5	214	50		28	" Balance.....	12	225	50
				685	60					685	60
1885.											
Mar.	1	To Bal. br'ght down. ...		225	50						

BILLS RECEIVABLE.

Dr. *Cr.*

1885.						1885.					
Jan.	1	To Sunds.....	1	$327	61	Jan.	5	By Cash, $323.46; discount, $4.15.....	1	$327	61
	10	" Miller & Bros ...	2	77	30						
	23	" Sunds	2	657	24		23	" E. H. E. W. & Co..	2	281	04
	31	" W. C. B. & Co....	3	211	22	Feb.	2	" Cash, $369.75; discount, $6.45.....	3	376	20
Feb.	14	" Miller Bros.....	4	79	20		9	" Cash	3	77	30
							28	" Miller Bros.....	4	79	20
							28	" Cash.....	3	100	00
							28	" Interest	5	1	08
							28	" Balance	12	110	14
				1,352	57					1,352	57
1885. Mar.	1	To Bal. br'ght down. ...		110	14						

BILLS PAYABLE.

Dr. *Cr.*

1885.						1885.					
Feb.	3	To Cash	3	$500	00	Jan.	5	By Sunds	1	$980	00
	23	" "	3	500	00		7	" Cash, $496.25; discount, $3.75.....	1	500	00
	21	" "	3	200	00						
	28	" "	3	180	00		29	" E. H. E. W. & Co..	2	200	00
	28	" Interest.....	4	1	98	Feb.	2	" Merchandise.....	4	250	00
	28	" Balance..... ..	12	1,048	02		9	" Cash, $497.50; discount, $2.50.....	3	500	00
				2,430	00					2,430	00
						1885. Mar.	1	By Bal. br'ght down. ...		1,048	02

UNIV. OF CALIFORNIA

Dr. DISCOUNT. *Cr.*

1885.						1885.					
Jan.	1	To Sunds..... ..	1	$11	54	Jan.	5	By T. C. D. & Co.....	1	$20	00
	23	" "	2	11	71		1/31	" Sunds.....	2	43	60
	1/31	" "	2	18	88	Feb.	1/28	" "	3	5	00
	31	" W. C. B. & Co....	3	6	53		28	" Profit and Loss..	12		43
Feb.	1/28	" Sunds.....	3	20	37						
				69	03					69	03

Dr. EXCHANGE. *Cr.*

1885.						1885.					
Jan.	10	To Sunds	2		40	Jan.	28	By Profit and Loss..	12		40

Dr. J. VIRGIL WRIGHT (Bookkeeper). *Cr.*

1885.						1885.					
Jan.	6	To Cash	2	$10	00	Jan.	31	By Expense	3	$125	00
	31	" "	2	20	00	Feb.	28	" "	5	125	00
Feb.	7	" "	3	15	00						
	28	" Balance	12	205	00						
				250	00					250	00
						1885.					
						Mar.	1	By Bal. br'ght down		205	00

Dr. J. EDWARD FORTH (Salesman). *Cr.*

1885.						1885.					
Jan.	5	To Cash	1	$25	00	Jan.	31	By Expense	3	$125	00
	31	" "	2	15	00	Feb.	28	" "	5	125	00
Feb.	3	" "	3	25	00						
	28	" Balance	12	185	00						
				250	00					250	00
						1885.					
						Mar.	1	By Bal. br'ght down		185	00

Dr. ARTHUR JOHN SHELDON. *Cr.*

1885.						1885.					
Feb.	28	To Balance	12	$300	00	Jan.	31	By Expense	3	$150	00
						Feb.	28	" "	5	150	00
				300	00					300	00
						1885.					
						Mar.	1	By Bal. br'ght down		300	00

Dr. PETIT ACCOUNTS RECEIVABLE. *Cr.*

1885.						1885.					
Jan.	30	Wm. French, n/30...	3	$18	25	Jan.	31	By Cash.....	2	$18	25
	30	Wm. Ward, n/30....	4	18	15						
	30	James Elston, n/30..	4	15	40	Jan.	31	" Cash.....	2	15	40
	31	L. Powell, n/30.....	4	31	80						

Dr. PETIT ACCOUNTS PAYABLE. *Cr.*

1885.						1885.					
Feb.	6	To Cash, $95; discount, $5.....	3	$100	00	Jan.	2	J. K. Ross & Co., 5/30.	1	$100	00
Jan.	10	" Cash, $47; discount, $3.....	2	50	00		2	Johnson & Co., 5/30..	1	50	00
	10	" Cash, $23.50; discount, $1.50....	2	25	00		2	Lindsay & Co., 5/30..	1	25	00
							29	W. F. Saxe, 5/30.....	2	95	00
	31	" Cash, $120.90; discount, $9.10....		130	00		29	Martin & B., 5/30....	2	130	00

Dr. PROFIT AND LOSS. *Cr.*

1885.						1885.					
Feb.	28	To Miller Bros.....	5	$39	80	Feb.	28	By Mdse.....	3	$1,458	75
	28	" Expense.....	3	966	15						
	28	" Interest..... ...	3	1	51						
	28	" Discount.....	9		43						
	28	" Exchange.....	9		40						
	28	" P. A. Wright....	1	225	23						
	28	" T. P. Noble... ...	1	225	23						
				1,458	75					1,458	75

Dr. BALANCE. *Cr.*

				Assets.						*Liabilities.*	
1885.						1885.					
Feb.	28	Office Furniture.....	2	$245	00	Feb.	28	E. H. E. Wright & Co.	4	$1,221	77
	28	Cash.....	2	327	86		28	Earlington & Co.....	5	750	00
	28	Inventory	3	4,975	00		28	Sandford & Co.....	5	500	00
	28	J. C. B. & Co.....	6	318	60		28	Bills Pay.....	8	1,048	02
	28	W. C. B. & Co.....	7	421	20		28	J. E. Forth..	10	185	00
	28	Davis & Co.....	7	225	50		28	J. Virgil Wright.....	10	205	00
	28	Bills Rec.	8	110	14		28	A. Sheldon.....	10	300	00
	28	Wm. Ward.....	11	18	15		28	W. F. Saxe.....	11	95	00
	28	L. Powell..... ...	11	31	80		27	P. A. Wright.....	1	1,163	23
								T. P. Noble.....	1	1,205	23
				6,673	25					6,673	25

LEDGER ACCOUNTS ELUCIDATED.

The two accounts on the first page of miniature Ledger are the partners' Stock accounts, and their Personal accounts under the same headings. They are usually kept separately; that is, the Personal accounts are kept on another page. This, however, is absolutely unnecessary, as both can be combined under one heading: Capital account representing money paid in, and therefore a credit; the Personal account representing money drawn out, and therefore always a debit. Hence it will be seen that even under the same heading they can in no wise conflict. Furthermore, when the Personal account is kept on a separate page, it is finally closed into the Capital account at the end of the season. See *Rule for closing books*, page 43.

OFFICE FURNITURE.

This is a Representative account, showing the amount we have invested in various articles of furniture in the office. The first entry in this account is always a debit; in fact, the only credit likely to occur is after several years' use, when we charge a small percentage to *Profit and Loss*, and credit Office Furniture thereby. The difference between the two sides will represent present valuation, and part of our assets.

CASH.

This account could, with all due propriety, be omitted from the Ledger, as the Cash Book is the only cash account ever examined and shows all the facts of the Ledger Cash account; that is, the total receipts and total disbursements each month, and the balance. The debit side, of course, must always be the greater if there is any difference, and is the most desirable kind of assets.

MERCHANDISE.

The debit side of this account shows the amount of all goods received, either purchased or returned, the cost price of the former, and the selling price of the latter.

The credit side represents the sales; the difference between the two sides will represent no definite amount, because each side represents a different value of the same thing. By adding the amount of Inventory to the credit side, and deducting therefrom the amount of debit side, the difference if in favor of credit side will represent the profit on merchandise sold; this difference, deducted from the amount of Inventory, will agree with the first difference in the Merchandise account before the Inventory is considered.

The Inventory being placed on the credit side by Single Entry must be brought down on the debit side, thereby constituting the Double Entry, and is called the *balance* of Merchandise, which represents part of our resources.

EXPENSE.

There is rarely, if ever a credit in the Expense account, as it represents money invested in things that are consumed, or for which we get no direct returns. This is one of the principal divisions of the *Profit and Loss* account, and is often subdivided into many other accounts, according to the requirements of the business, such as *Travelling Expense*, *Salaries* or *Wages*, *Postage and Printing*, *Advertising*, *Petty Items*, etc.

INTEREST.

The debit side shows how much we have paid for use of money, and the credit side shows how much we have received for use of

money due us. If debit side is the greater it shows a loss, and if credit side is the greater it will show a gain.

THE NEXT FOUR ACCOUNTS

represent our creditors—parties from whom we buy, the credit side of each account showing how much we have bought, and the debit side how much we have paid each; the Balance indicates how much we still owe them, and is part of our Liabilities.

If the debit side had been the greater, it would have shown that we had overpaid them and that they owed us.

THE NEXT FOUR ACCOUNTS

represent our customers—parties to whom we sell. The debit side of their accounts represents the amount of goods sold to each; the credit side, the amount that has been satisfactorily settled for; and the balance shows the amount each one owes us, and is part of our resources.

If the credit side had been the greater, it would have shown that they had overpaid us; hence we would owe them.

BILLS RECEIVABLE.

The debit side of this account shows the amount of other parties' notes received by our firm; the credit side shows the amount that has been paid or negotiated; the *balance* shows the amount of other parties' notes on hand. (See Bills Receivable Book, page 126.) This balance represents part of our Resources.

The first entry in this account is always a debit, because our rule is to *debit whatever we receive;* and we must receive another party's note, thereby charging Bills Receivable account before we can possibly return it whereby Bills Receivable would be credited, and for the same potent reason the debit side of this account must be the greater if there is a difference.

It is customary to hold all notes of this kind until enough have accumulated to make a respectable offering for discount. We

then make out a list showing name of makers, where payable, when due, and amount of each, also total amount of offering, attach the notes thereto, and submit them to our Bank for discount and credit of our account, less discount for unexpired time.

If, however, we hold a note until maturity we save the discount, and if the note is payable at the office or Bank of the party who drew it, we send it forward for collection in time to reach the place of payment on or before maturity; this is necessary in order to bind all endorsers to the note, which would have to be presented on the day of maturity, and if not paid be protested. If not duly protested the endorsers would be exempt from all obligation.

In collecting a note at a distance, we send it to the cashier of some Bank located in the town or place where the note is payable, endorsing it in his favor, adding "for collection;" by this method we get returns more promptly than by sending it through our own Bank for collection, as the latter method would require the difference in time consumed in the correspondence between our Bankers and their correspondents, which is often done periodically and not daily.

If any note previously discounted at our Bank be protested, it is returned to us by our Bankers, to whom we give a check for the face of note, including protest fees, the total amount of which we charge to the party from whom we received it in the first place, thereby throwing their obligation into an open account again.

If they can render satisfactory explanation as to why the note was permitted to go to protest, we accept a new note for the same amount, including protest fees and interest for the time new note has to run, giving the party credit by amount of new note, and charging their account with the interest.

All entries on our books embodying notes should specify date of notes, time to run, amount, where payable, and in whose favor they are given.

If we desire to transfer a note payable to our own order, without being liable as endorser, we endorse it "without recourse."

If a note or bill is transferred as security, or even as payment

of a pre-existing debt, the debt revives if the bill or note be dishonored.

"Value received" is usually written in a note and should be, but is not absolutely necessary to the validity of the note. If not written, it is presumed by the law, or may be supplied by proof.

An oral agreement must be proved by evidence, whereas a written agreement proves itself. The difference between Bills Receivable and Accounts Receivable is, the former is a written agreement and the latter an oral one, and as the law prefers written to oral evidence because of its precision, it is to our advantage to have open accounts closed by note if not due.

It sometimes supervenes that we desire to withdraw notes previously discounted in bank and substitute others of equal amount but possibly unequal time to run. In such a case we submit the substitutes as a new offering for discount, the proceeds of which we use in paying withdrawn notes less interest for unexpired time.

BILLS PAYABLE.

The credit side of this account shows the amount for which our note has been given, the debit side the amount we have paid or taken up, and the balance represents the amount of our notes still afloat, constituting part of our liabilities, and will agree with the Bills Payable Book. The credit side of this account will always be the greater when there is a difference, the reason being the reverse of that given in relation to Bills Receivable.

DISCOUNT.

The debit side of this account represents the amount we have lost in discounting, the credit side the amount gained through the same operation; and the difference, if a debit, will show net loss, if a credit, it will show net gain in discounting.

EXCHANGE.

The object of keeping this account is to be able to find out how much we have paid during the year or season for collecting notes, drafts, and out-of-town checks. It represents a loss.

J. VIRGIL WRIGHT AND J. EDWARD FORTH.

Two instances in which we keep an open account with employees, the debit side showing how much they have drawn, and the credit side the amount they are entitled to, by agreement; the Balance, if a credit, will show how much we still owe them, being part of our Liabilities, or if debit side is the greater, it would show how much they had overdrawn, and represent part of our assets.

We require employees who are engaged by the week to accept their dues every Saturday night, so as not to necessitate keeping an open account with them, the amount being charged direct to expense through the Expense column in the Cash Book.

ARTHUR JOHN SHELDON.

This is an account with our Landlord, whom we pay quarterly We credit his account monthly, however, in order to have our books show correctly every month, upon taking of Trial Balance, how much we owe; the balance is part of our Liabilities.

PETIT ACCOUNTS RECEIVABLE.

Under this heading we keep the account of all parties not likely to buy a second time, and therefore not entitled to more than a single line in our Ledger.

The manner of dealing with small accounts of this kind is somewhat irregular or different to regular Ledger accounts, inasmuch as they are not closed *By Balance* at the end of the year, but left *in statu quo* until paid or finally adjusted. They are considered individually in making out *Trial Balance*, also indexed as though each occupied a full page. In case of partial payment, enter the amount within the space for descriptive matter, and the gap in the amount column will indicate the account is still open.

PETIT ACCOUNTS PAYABLE.

Under this heading we keep the account of all parties we owe small amounts, and from whom we are not likely to buy a second time. Such accounts are managed in the same way as Petit Accounts Receivable, and represent Liabilities.

PROFIT AND LOSS.

This account is a final recapitulation of total gains and total losses; the various accounts representing profits or losses throughout the Ledger being closed or merged into this account at the end of each season. The debit side representing total losses, and the credit side total gains, the difference total net gain if credit side be the greater, and total net loss if the debit side be the greater. It is closed into the several partners' Stock accounts, in red ink, by crediting each with his pro rata of net gain, or charging each with his pro rata of net loss. See *Rules for closing books*, page 43.

BALANCE.

This is not a regular Ledger account, but is introduced in the miniature Ledger to illustrate the idea of Resources and Liabilities,

and prove the correctness of our conclusion; that is, we must have Resources enough to pay off all our Liabilities, and be able to draw out of the business, if we desire to discontinue, the amount of net capital indicated by our Capital account.

The impracticability of such an account in the Ledger will be seen when it is taken into consideration that we may have several thousand open accounts on our Ledger, and to transfer the balance from each would be no small job, to say nothing of the many valuable Ledger pages that would be uselessly consumed by the operation.

Our final Balance Sheet takes the place of this account.

DEPARTMENT ACCOUNTS.

Department accounts are required when it is desired to know how much we make on each branch of our business. For example, we assume that we keep a general store,—that is, Dry Goods, Groceries, Boots and Shoes, Hats and Caps, etc.,—and we desire to know at the end of the season which has yielded the greatest profit. We open an account with *Dry Goods Department*, *Grocery Department*, *etc.*, and charge each with cost of all goods supplied therewith. We also have a Sales Book for each department, or a special column in a general Sales Book, representing each department, the footing of which—that is, the Special column or Special Sales Book—at the end of the month would be carried to the credit side of its respective department account. We would also keep a separate Expense account for each department, charging it with all items of expense, known to have been incurred exclusively in the interest of that department. We would also keep a *General Expense* account for such items of expense as were common to all the departments, such as office help, incidental office expenses, etc. Upon closing the books, the *General Expense* account would be divided among all the *Department Expense* accounts in proportion to the amount of *capital invested* in each department, that is, as the total amount of *capital* in all the departments is to the

amount of capital in each department, so is the total amount of General Expense to each department's expense.

We would close the Department Expense account into its respective department account, which would then show the gain or loss thereon, after crediting the department by its Inventory. Each department account would then be closed into the general *Profit and Loss* account, in the same manner as a regular Merchandise account.

HOW TO DETERMINE WHAT BILLS ARE UNSETTLED.

In a business of great magnitude there are often unsettled accounts, each amounting to many thousands of dollars, composed of a great number of small amounts, occurring on different dates, having unequal time to run. There are also frequent payments, from time to time, covering certain bills, but not in the same order of dates on which they are charged; hence it becomes necessary to have a system by which to identify every item of debit and credit that enters into each settlement, in order that we may be able to tell at a glance what bills remain unpaid. Without such a system it would be next to impossible to render a correct statement of an account of this kind after it had run for years, as they often do without a full settlement. To overcome this difficulty, we classify first payment as letter "a" or figure "1," and enter in red ink within amount column, next to folio line, opposite each item of credit, entering into the settlement "a" or "1," whichever is adopted, also the same mark of identification opposite each item of debit covered thereby.

In the second payment we mark every item of debit and credit it covers as "b" or "2," and so on with each settlement alphabetically or numerically to the closing of the account. After using all the letters in the alphabet, we begin with capitals, using all again; then adopt numbers.

FOUR-COLUMN

Trial Balance, Jan. 31st, 1885.

1			$12	00	P. A. Wright.....	$1,000	00	$988	00
1			20	00	T. P. Noble.....	1,000	00	980	00
2	$245	00	245	00	Office Furniture. . .				
2	527	63	3,533	78	Cash.....	3,006	15		
3	4,039	65	6,750	00	Merchandise.....	2,710	35		
3	497	75	497	75	Expense.....				
4			2,281	04	E. H. E. Wright & Co	3,500	00	1,218	96
4			500	00	T. C. Davis & Co. .	500	00		
5			500	00	Earlington & Co. . .	1,250	00	750	00
5			500	00	Sandiford & Co....	1,000	00	500	00
6	190	40	479	35	Miller Bros.....	288	95		
6	189	30	632	30	J. C. Brown & Co..	443	00		
7	215	10	658	75	W. C. Browning & Co	443	65		
7	37	00	471	10	Davis & Co.....	434	10		
8	664	72	1,273	37	Bills Receivable ...	608	65		
8					Bills Payable.....	1,680	00	1,680	00
9			48	66	Discount.....	63	60	14	94
9		40		40	Exchange.....				
10			40	00	J. Edward Forth...	125	00	85	00
10			30	00	J. Virgil Wright...	125	00	95	00
10					Arthur J. Sheldon..	150	00	150	00
11	18	15	18	15	Wm. Ward.....				
11			18	25	Wm. French..... ..	18	25		
11			15	40	James Elston.....	15	40		
11	31	80	31	80	L. Powell.....				
11					J. K. Ross & Co....	100	00	100	00
11			50	00	Johnson & Co.....	50	00		
11			25	00	Lindsay & Co.....	25	00		
11					W. F. Saxe.....	95	00	95	00
11			130	00	Martin & Brown...	130	00		
	$6,656	90	$18,762	10		$18,762	10	$6,656	90

Footing, C. B., Cr..	$3,006	15
Footing, C. B., Dr..	3,533	78
Discount col. (C. B.), Dr.....	18	88
Discount col. (C. B.), Cr.....	43	60
Footing, S. B	2,325	10
Footing, Journal...	9,834	59
	$18,762	10

Trial Balance, Feb. 28th, 1885.

1			$50	00	P. A. Wright			$938	00
1					T. P. Noble			980	00
2	$245	00			Office Furniture				
2	327	86	1,562	43	Cash	$1,762	20		
3	3,516	25	326	00	Merchandise	849	40		
3	966	15	468	40	Expense				
3	1	51	3	89	Interest	2	38		
4					E.H.E. Wright & Co.	2	81	1,221	77
5					Earlington & Co.			750	00
5					Sandiford & Co.			500	00
6			158	40	Miller & Bros.	348	80		
6	318	60	129	30	J. C. Brown & Co.				
7	421	20	206	10	W.C.Browning & Co				
7	225	50	214	50	Davis & Co	26	00		
8	110	14	79	20	Bills Receivable	633	78		
8			1,381	98	Bills Payable	750	00	1,048	02
9		43	20	37	Discount	5	00		
9		40			Exchange				
10			25	00	J. Edward Forth	125	00	185	00
10			15	00	J. Virgil Wright	125	00	205	00
10					A. J. Sheldon	150	00	300	00
11	18	15			Wm. Ward				
11	31	80			L. Powell				
11			100	00	J. K Ross				
11					W. F. Saxe			95	00
12	39	80	39	80	Profit and Loss				
	$6,222	79	$4,780	37		$4,780	37	$6,222	79

Journal Footing	$880	47
C. B., Cr., Footing.	1,762	20
C. B., Dr., " .	1,562	43
Disct. (C. B.), Cr., Footing	5	00
Disct. (C. B.), Dr., Footing.	20	37
Sales Book	549	90
Total	$4.780	37

BALANCE-SHEET, FEBRUARY 28, 1885.

P. A. WRIGHT & CO.,

NEW YORK.

	Trial Balance.		Inventory.	Profit and Loss.		P. A. Wright.		T. P. Noble.		Balance.	
	Dr.	Cr.		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Assets.	Liabilities
P. A. Wright		$938 00					$938 00				
T. P. Noble		980 00							$980 00		
Office Furniture	$245 00									$245 00	
Cash	327 86									327 86	
Merchandise	3,516 25		$4,975 00		$1,458 75					4,975 00	
Expense	966 15			$966 15							
Interest	1 51			1 51							
Bills Receivable	110 14									110 14	
Bills Payable		1,048 02									$1,048 02
Discount		43			43						
Exchange		40			40						
Profit and Loss	39 80			39 80							
Accounts Receivable	1,015 25									1,015 25	
Accounts Payable		3,256 77									3,256 77
	6,222 79	6,222 79	4,975 00								
Total Loss				1,008 29							
Total Gain					1,458 75						
P. A. Wright's Net Gain				225 23			225 23				
T. P. Noble's Net Gain				225 23					225 23		
				1,458 75	1,458 75						
P. A. Wright's Net Capital						$1,163 23					
						1,163 23	1,163 23				
T. P. Noble's Net Capital								$1,205 23			
								1,205 23	1,205 23		
Total Assets										6,673 25	
Total Liabilities											4,304 79
P. A. Wright's Net Capital											1,163 23
T. P. Noble's Net Capital											1,205 23
										6,673 25	6,673 25

J. VIRGIL WRIGHT, *Bookkeeper.*

BALANCE SHEET.

268. The Balance Sheet is made from the last Trial Balance, usually according to the form given below. On page 116 will be found another form more artistic in design and better calculated to impress our employers that we are expert in our business.

BALANCE SHEET, FEBRUARY 29TH, 1888.

P. A. Wright & Co., New York.

LOSSES.			GAINS.		
Miller & Bros.,	102	58	Mdse.,	1126	65
Expense,	960	75	Discount,	68	92
Interest,	16	82			
Exchange,	1	25			
P. A. W.'s net gain, *(Red ink.)*	57	09			
(Junior's) net gain, *(Red ink.)*	57	08			
	1195	57		1195	57
ASSETS.			**LIABILITIES.**		
Accounts Receivable,	1382	35	Accounts Payable,	6165	35
Bills Receivable,	100	00	Bills Payable,	500	00
Cash,	155	50	P. A. W. balance 1453.33		
Mdse. (Inventory),	7300	00	" ½ net gain 57.09		
Office Furniture,	245	00	" net capital, *(Red ink.)*	1510	42
			Junior's balance, 950.00		
			" ½ net gain, 57.08		
			" net capital, *(Red ink.)*	1007	08
	9182	85		9182	85

This Balance Sheet is made from the EIGHTEEN LESSONS course of practice. The Balance Sheet opposite on page 116 is from the Miniature Set. On page 131 is a *single entry exhibit* from the EIGHTEEN LESSONS also.

Back of Stub.			Front of Stub.			
Jan. 1/85, Deposited. $1,000.00 1,000.00 — 2,000.00	$2,000	00	*No.* 1. Jan. 1, 1885. Currency to Drawer.			*These leaves, or Checks, would be torn off here, leaving the stub only.*
	500	00		$500	00	
	1,500	00	*No.* 2. Jan. 2, 1885. E. H. E. Wright & Co., on a/c.			
	500	00		500	00	
	1,000	00	*No.* 3. Jan. 5, 1885. Earlington & Co., bill Jan. 1, $500, less 6%, $30.			
Jan. 5/85, Deposited. Proceeds of notes.	126	76				
	323	46				
	1,450	22				
	470	00		470	00	
	980	22				

No. 1. NEW YORK, *Jan.* 1, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *Currency,*

Five Hundred Dollars

500\frac{00}{100}$. P. A. WRIGHT & Co.

No. 2. NEW YORK, *Jan.* 2, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *E. H. E. Wright & Co.,*

Five Hundred Dollars.

500\frac{00}{100}$. P. A. WRIGHT & Co.

No. 3. NEW YORK, *Jan.* 5, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *Earlington & Co.,*

Four Hundred and Seventy Dollars.

470\frac{00}{100}$. P. A. WRIGHT & Co.

CHECK BOOK—*Continued.*

Back of Stub.			Front of Stub.			*These leaves, or Checks, would be torn off here, leaving the stub only.*
Bal. brought forward.	$980	22	*No.* 4.			
Jan. 7, Proc. of notes.	496	25	Jan. 7, 1885.			
	1,476	47	E. H. E. Wright & Co., on a/c.			
	500	00		$500	00	
	976	47				
			No. 5.			
			Jan. 7, 1885.			
			Thomas Jackson, a/c E. H. E. Wright & Co.			
	300	00		300	00	
	676	47				
			No. 6.			
			Jan. 7, 1885.			
			K. C. Wilson, a/c E. H. E. Wright & Co.			
	200	00		200	00	
	476	47				

No. 4. NEW YORK, *Jan.* 7, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *E. H. E. Wright & Co.,*

Five Hundred Dollars.

500\frac{00}{100}$. P. A. WRIGHT & Co.

No. 5. NEW YORK, *Jan.* 7, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *Thomas Jackson,*

Three Hundred Dollars.

300\frac{00}{100}$. P. A. WRIGHT & Co.

No. 6. NEW YORK, *Jan.* 7, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *K. C. Wilson,*

Two Hundred Dollars.

200\frac{00}{100}$. P. A. WRIGHT & Co.

CHECK BOOK—*Continued.*

Bal. brought forward.	$476	47	*No.* 7.			
Jan. 9, Deposited...	300	00	Jan. 9, 1885.			
Bills, $300						
	776	47	E. H. E. Wright & Co., on a/c. Paid sight draft.			
	300	00		$300	00	
	476	47				
Jan. 10, Deposited...	100	40	No. 8.			
$76 55						
23 85	576	87	Jan. 31, 1885.			
100 40			Martin & Brown, bill, 29th, $130; less 7%, $9.10.			
	120	90		120	90	
	455	97				
Feb. 2, Proc. of note.	369	75	*No.* 9.			
Feb. 4, Less note due	825	72	Feb. 28, 1885.			
to-day....	500	00				
	325	72	T. C. Davis & Son, on note due Mar 6.			
Feb. 7, Deposited....	178	98				
Less note due	504	70				
to-day....	500	00		180	00	
	4	70				

These leaves, or Checks, would be torn off here, leaving the stub only.

No. 7. NEW YORK, *Jan.* 9, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *E. H. E. Wright & Co.,*

Three Hundred Dollars.

300\frac{00}{100}$. P. A. WRIGHT & Co.

No. 8. NEW YORK, *Jan.* 31, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *Martin & Brown,*

One Hundred, Twenty, and 90/100 *Dollars.*

$120.90. P. A. WRIGHT & Co.

No. 9. NEW YORK, *Feb.* 28, 1885.

FIRST NATIONAL BANK,

Pay to the Order of *T. C. Davis & Son,*

One Hundred and Eighty Dollars.

180\frac{00}{100}$. P. A. WRIGHT & Co.

CHECK BOOK—*Continued.*

Balance brought forward	$4	70
Feb. 9, Deposited for Collection Miller Bros.' note, due 13th	77	30
	82	00
Feb. 9, Proceeds of note	497	50
	579	50
Feb. 14, Less Miller Bros.' note, returned protested	77	30
	502	20
Feb. 21, Note due to-day	200	00
	302	20
Deduct check No. 9	180	00
	122	20

This corresponds to back of Stub of Checks not used.

DEBIT.

The way to read the rules on page 63 is as follows: When property of any description enters it is first carried to the *debit* of the account which represents it. If the person who gives value has not received, or is not to receive hereafter, an equivalent for it, this person cannot be *credited* since he does not remain a *creditor;* but in double entry it is necessary to oppose to the *debtor* item in every account, a creditor; we therefore substitute a nominal or impersonal *creditor*, which takes the title most proper to point out the nature and origin of the transaction.

CREDIT.

When property of any description goes out it is first carried to the *credit* of the account which represent it. If the person who receives value has not given, or is not to give hereafter, an equivalent for it, this person cannot be *debited* since he does not remain a *debtor;* but in double entry it is necessary to oppose to the *creditor* item in every account, a *debtor;* we there substitute a nominal or impersonal *debtor*, which takes the place most proper to point out the nature and origin of the transaction.

TRIAL BALANCE BOOK.

This book is ruled with six sets of columns, that is, twelve columns altogether, requiring one column each for the debits and the credits, which constitute *a set* and represent the *Trial Balance* for one month. The object is to save writing the names but once in six months, and to show the balances for that time in juxtaposition for comparison. It requires two pages of an ordinary book to make one page in the TRIAL BALANCE BOOK, that is, pages 2 and 3 when the book is open are regarded as one page. On the extreme left is a small column for Ledger folios, followed by a wide space for the names, which are alphabetically arranged with sufficient number of lines left after last name under every letter of the alphabet for all new names that may be introduced as Ledger accounts during the next five months. More lines are left after B's, M's, S's, and W's than any other letters, as there are more names beginning with those initials than any other of the 26 letters. After the names follow the columns, the first two of which will be headed with the month on which the first Trial Balance appears in the book, the next two being headed with the next month in order, and so on for six months.

It will be seen, therefore, that writing the names the first month will answer for the next five months also. The Trial Balance is first drawn off on journal paper, as before explained, and proven; then copied into the *Trial Balance Book*. If it is first drawn off the Ledger into this book, and there should be an error, it would be extremely inconvenient to find it unless the accounts were arranged in the Ledger alphabetically also, as it would require constant turning from one part of the Trial Balance Book to another to find the names in checking the transfers from Ledger to Trial Balance. As the principal object of the Trial Balance is to prove our posting, we may, therefore, regard the Trial Balance Book as being more in the way than otherwise, and file original sheet for reference instead of copying it into this book, which would entail a great deal of work without its corresponding advantages. This book is adapted to the ordinary two-column Trial Balance described on page 90. It must be understood that a Trial Balance is not the result of differences for its respective month's busness, but is the net result or difference between the

total footings of the debit and the credit side of every unbalanced account in the Ledger from the beginning of the account or from its last closing up to the time of taking off *present* Trial Balance.

ASSISTANT BOOKKEEPER'S DUTIES.

In the absence of the head bookkeeper the assistant takes his place. He makes statements of accounts when asked for, audits remittances, sends receipts therefor, makes up the deposit, sends it or takes it to Bank, makes *memoranda* of important matters requiring the attention of the chief on his return, but would not be permitted to do any writing on the principal books except, perhaps, post; then he would not open any new account on the Ledger if one had been started since the head bookkeeper left, as every bookkeeper who takes a pride in his books would not want a different handwriting on them neither better nor worse than his own.

If the head bookkeeper is to be absent for a long or indefinite period, it would not do to permit the work on the main book to run behindhand; the assistant would in that case make all current entries, and for that reason should be a good penman. He assists in checking the posting if there should be an error in the Trial Balance; also performs the duties of entry clerk and bill clerk, examines extensions of invoices, goes to Bank with deposits, also becomes a trusted messenger when it is necessary to draw money out of Bank. Rules the Ledger at time of closing it at the end of the season.

It is an easy position to fill ordinarily, as the assistant would be directed in everything he did and shown how to do it, as his superior in position may have a method of his own, differing possibly from the manner in which the assistant may have seen it done by others.

He is first in the line of promotion if the head bookkeeper should be "fired," or concludes to cross the St. Lawrence into the elysian fields of the Dominion, or if by Omnipotence he is required to ford the River of Styx,—or better, if fortune smiles upon him he accedes to a copartnership.

Dr. FIRST NATIONAL BANK *In Account*

1885.						
Jan.	1	R.	$2,000			
	5	R.	126	76		
	5	D.	323	46		
	7	D.	496	25		
	9	R.	300	00		
	10	R.	100	40	$3,346	87
					3,346	87
Feb.	1	Balance.			455	97
	2	D.	369	75		
	7	R.	178	98		
	9	R	77	30		
	9	D.	497	50	1,123	53
					1,579	50
Mar.	1	Balance.			122	20

On this side of the Pass-book is entered the date of deposit and amount, also amount of Credit for notes discounted, with the initial of the Bank-clerk who makes the entry, "R" standing for Receiving-teller and "D" for Discount-clerk.

It will be seen by comparison that the balance brought down in each instance at the end of the month agrees with our Balance, as indicated on stub of Check-book, on those dates—that is, the first of February and March.

with P. A. WRIGHT & CO. *Cr.*

$500	$300	.....		
500	200	.....		
470	300	.....		
500	120.90	.....	$2,890	90
Balance		.....	455	97
Eight Vouchers returned		.....		
			3,346	87
$500	$77.30	.....		
180	200	....		
500		.....	1,457	30
Balance		.....	122	20
Five Vouchers returned		.....		
			1,579	50

On this side are entered the amounts of various checks that have been paid by the Bank and charged to our account, without giving the dates, on this book; the order in which they are entered being the order in which they are paid or the order in which they appear on the Bank's Ledger. This book is balanced by the Bookkeeper for the Bank, who returns vouchers to us endorsing on the Pass-book the number of vouchers.

BILLS RECEIVABLE.

Date of Obligation.		By Whom Drawn.	Where Payable.	Time to Run.	When Due.												Amts.		Remarks.
					Jan.	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sept	Oct.	Nov.	Dec.			
1885.																			
Jan.	1	J. C. Brown & Co....	At their office	60 days.	.....	.....	2/5	.....	.....	.....	.....	.....	.....	.....	.....	.....	$131	76	Discounted Jan. 5.
	1	W. C. Browning & Co.	" "	90 "	.....	.....	.....	1/4	.....	.....	.....	.....	.....	.....	.....	.....	195	85	" " 5.
	13	Davis & Co.....	" "	4 mos.	.....	.....	.....	.....	13/16	.....	.....	.....	.....	.....	.....	.....	376	20	" Feb. 2.
	19	J. C. Brown & Co....	" "	60 days.	.....	....	20/23	.....	....	.....	.....	.....	.....	.....	.....	.....	281	04	Transferred to E. & E. W. & Co.
	10	Miller Bros.....	" "	30 "	.....	10/13	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	77	30	Protested for non-payment.
	31	W. C. Browning & Co.	" "	90 "	...	.....	.....	.....	1/4	....	.....	.....	.....	.....	.....	.....	211	22	Received on a/c, $100; int. $1.08.
Feb.	14	Miller Bros.....	" "	30 "			16/19										79	20	Returned Feb. 28.

BILLS PAYABLE.

Date of Obligation.		In Whose Favor.	Where Payable.	Time to Run.	When Due.												Amts.		Remarks.
					Jan.	Feb.	Mar.	Apr.	May.	Jun.	July	Aug.	Sept	Oct.	Nov.	Dec.			
1885.																			
Jan.	1	Sandiford & Co....	First Nat'l Bk.	30 days.	31	3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	$500	00	Paid.
	2	T. C. Davis & Son..	" "	4 mos.	.....	.....	.....	.....	2/5	.....	.....	.....	.....	.....	.....	.....	480	00	Paid part Feb. 28, $180; int., $1.98.
	29	John Smith.....	" "	20 days	.....	18/21	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	200	00	Paid.
	6	First National Bk..	" "	45 "	.....	20/23	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	500	00	Paid.
Feb.	9	" " " ..	" "	30 "	.....	.....	11/14	.....	.....	.....	.....	.....	.....	.....	.....	.....	500	00	
	2	J. K. Pane....	" "	30 "	.....	.....	4/7	.....	.....	.....	.....	.....	.....	.....	.....	.....	250	00	

ORDER BOOK.

This book is used in a business where the demand for its goods is greater than the supply, or where goods are ordered for future delivery. The orders are copied on this book, from which it derives its name, beginning with the date on which the order was received, then the customer's name, address, terms, shipping directions, description and price of the goods, and all other particulars.

The orders are numbered on the book, and the same number marked on the original orders with colored pencil, which are filed away for reference. When the goods are shipped, the record is cancelled on Order Book and a direct charge is made on Sales Book.

MEMORANDUM BOOK.

If goods are sent out on approbation, with privilege to examine and return part or all, they are charged on this book. First is entered the customer's name and address, then the description of the goods, quantity and price, and shipping directions. A memorandum-bill is rendered, differing from a regular bill only in the amounts not being extended. After a reasonable time has elapsed, sufficient for the customer to examine the goods and make returns of those not wanted, he is notified that unless advised to the contrary the goods will all be charged to his account on (name the date), it being presumed the goods will all be retained. A minute should be made on Memorandum Book of the date notification was sent out, and of the time specified for charging them to regular account. If part of the goods are returned, they are checked off memorandum and put in stock, the balance being charged on Sales Book and regular bill rendered. The memorandum-entry is then cancelled, giving the folio of Sales Book on which the goods are charged. If a customer fails with goods in his possession which were sent to him on memorandum, we can reclaim them and prevent them from being included in his effects and sold for the benefit of his creditors, as the goods are not his, although in his possession until he receives an extended bill completing the sale on our part. All goods outstanding on Memorandum Book must be included in our *Inventory* upon "taking stock."

FILING PAPERS.

There are many convenient devices for filing papers, both temporarily and permanently, each having some special merit peculiar to itself. The most convenient temporary file is seen on page 233, showing papers filed both properly and improperly by its use. The wrong way, as seen in Fig. 1, where the file goes through the middle of the paper, makes it difficult to read that part of a letter without removing those subsequently filed on top of it; furthermore, it would cause mutilation of the paper by tearing it in pieces in removing it by drawing it out, and would show lack of system and a lazy, careless bookkeeper. The right way, as seen in Fig. 2, shows the letter with the file through the upper left-hand corner, where there would be no writing, making a nicely arranged package, indicating that there was a man of method at the helm, and which would make it easy to examine the whole of any letter by turning it to one side, even though it be in the midst of a file full of papers, and, if necessary to take it off the file, it can be drawn out by tearing very little of the corner, without removing any others, and preserve the letter intact and in perfect shipshape, as the saying is. These remarks also apply to the upright file, or spindle, that sits on the desk, and which *should never be left standing, especially on a low desk, but turned over on the side, as they are dangerous.* The best way to file papers permanently is by arranging them alphabetically without folding, or without fastening them by wire driven through one side, as is usually done. Tying them with a small cord answers the purpose; then they can be untied and retied *ad libitum.* The filing should be done monthly, and each package marked "Letters" (or Invoices, or whatever it may be), for whatever month it is. In an extensive business, a cabinet is made full of compartments, or drawers, one for each letter of the alphabet, and one for *Miscellaneous* papers, into which the letters for a whole year can be kept and referred to easily. At the end of the year they can be tied up in separate packages for each letter of the twenty-six letters, and so marked; then placed in a large box marked "old papers," with the year and the initial of firm-name also marked on the box.

February 1.				
Miller Bros.	5/30	$134	85	Paid, 1/3
February 5.				
W. C. Browning	n/30	24	00	Paid, 1/10
February 7.				
Miller Bros.	5/30	76	80	Paid, 1/10
February 8.				
Davis & Co.	n/30	37	00	
February 9.				
J. C. Brown & Co.	n/30	13	00	Paid, 1/9
February 10.				
Miller Bros.	n/30	77	30	Received Note, 1/10
March 1.				
Miller Bros	5/30	190	40	
March 2.				
Wm. French	n/30	18	25	Paid, 1/31
Wm. Ward	n/30	18	15	
James Elston	n/30	15	40	Paid, 1/31
March 3.				
L. Powell	n/30	31	80	

ACCOUNTS RECEIVABLE BOOK.

The figures 1/3 on the right of this page indicate the month and day when bill was paid.

The month should never be written numerically, however, unless the space is too small to write it otherwise. *It is never admissible to date a letter that way, as is often done. It shows laziness and bad taste on the part of the writer.*

ANNUAL STATEMENT FROM SINGLE ENTRY BOOKS.

ASSETS.			
Accounts Receivable,	$1382.35		
Bills Receivable,	100.00		
Cash,	155.50		
Mdse. (Inventory),	7300.00		
Office Furniture,	245.00	$9182.85	
LIABILITIES.			
Accounts Payable,	$6165.35		
Bills Payable,	500.00	6665.35	
*The firm's present net capital,**		$2517.50	2517.50
P. A. W.'s original investment,	1000.00		
Additional investment and interest thereon,	503.33	1503.33	
Withdrawn during the year,		50.00	
		1453.33	
T. P. N.'s original investment,	1000.00		
Withdrawn during the year,	50.00	950.00	
Remainder of the firm's investment,		$2403.33	2403.33
Net Gain,			$114.17
P. A. W.'s remaining investment and interest thereon,	1453.33		
Half of net gain,	57.09		
His present net capital,	$1510.42	1510.42	
T. P. N.'s remaining original capital,	950.00		
Half of net gain,	57.08		
His present net capital,	$1007.08	1007.08	
P. A. W.'s and T. P. N.'s joint capital (see firm's capital above),*		$2517.50	2517.50

This statement is made according to the FOURTEEN RULES on pages 46 and 47, and from it the books could be changed to double entry according to the form of entry on page 48.

COMMERCIAL CORRESPONDENCE.

Business letters should be brief and decisive, but clear and courteous. The following forms will give the inexperienced reader a general idea how to word a letter on similar occasions. Every business letter is entitled to the courtesy of a prompt acknowledgement. In writing for information inclose stamps for a reply. *Ladies should prefix* Miss *or* Mrs. *to their name when writing to strangers.*

A LETTER REQUESTING NOTE TO BALANCE ACCOUNT.

MEMORANDUM.

	New York, *Jan.* 31, 1885.
From P. A. Wright & Co., 769 Broadway.	*To* Messrs. J. C. Brown & Co., Chicago, Ill.

Dear Sirs: Enclosed herewith we hand you statement of your account, which you will doubtless find correct. If not contrary to your custom of doing business, please send us your note at 60 days from average date, for the amount, $318\frac{60}{100}$, and greatly oblige

Yours truly,

P. A. Wright & Co.

A LETTER TO BANK CASHIER ENCLOSING DRAFT FOR COLLECTION.

MEMORANDUM.

	New York, *Jan.* 31, 1885.
From P. A. Wright & Co., 769 Broadway.	*To* Cashier 1st Nat'l Bank, Detroit, Mich.

Dear Sir: We enclose herewith for collection our sight draft on Messrs. W. C. Browning & Co., for $24\frac{00}{100}$. Protest Waived. Your kind and prompt attention will oblige

Yours truly,

P. A. Wright & Co.

A LETTER NOTIFYING W. C. BROWNING & CO. OF DRAFT.

MEMORANDUM.

From P. A. WRIGHT & Co., 769 Broadway.	NEW YORK, *Jan.* 31, 1885. *To* MESSRS. W. C. BROWNING & Co., Detroit, Mich.

DEAR SIRS: We have this day drawn on you at sight, through First National Bank, Detroit, for $24\frac{00}{100}$, as per statement enclosed. Please honor draft on presentation, and much oblige

Yours truly,

P. A. WRIGHT & Co.

A LETTER ACKNOWLEDGING RECEIPT OF REMITTANCE AND ORDER.

MEMORANDUM.

From P. A. WRIGHT & Co., 769 Broadway.	NEW YORK, *Jan.* 31, 1885. *To* MESSRS. MILLER & BROS., St. Louis.

DEAR SIRS: Your valued favor of 5th inst., inclosing check for $178\frac{98}{100}$, is received. We have placed the amount at your credit and note order, which will be executed as promptly as possible, with our best care and attention. Accept our thanks.

Yours truly,

P. A. WRIGHT & Co.

A LETTER DECLINING TO ACCEPT SIGHT DRAFT.

MEMORANDUM.

From P. A. WRIGHT & Co., 769 Broadway.	NEW YORK, *Jan.* 31, 1885. *To* MESSRS. E. H. E. WRIGHT & Co., Evansville, Ind.

GENTLEMEN: Your esteemed favor of 6th inst. is duly received. In reply to which, permit us to say it will not be convenient for us to meet your sight draft for 500\frac{00}{100}$, owing to non-receipt of money due us. It will be our pleasure, however, to honor your draft at five days' sight for that amount, which we trust will be satisfactory to you. In the mean time we beg to remain, Yours truly,

P. A. WRIGHT & Co.

A LETTER ACCOMPANYING OFFERING FOR DISCOUNT.

MEMORANDUM.

	NEW YORK, *Jan.* 31, 1885.
From P. A. WRIGHT & Co., 769 Broadway.	*To* CASHIER 1ST NAT'L BANK, City.

DEAR SIR: We respectfully offer herewith for discount, and credit of our account, the following described notes, viz.:

J. C. Brown & Co... Chicago..Mar. 5, 1885..$131.76
W. C. Browning & Co..Detroit...Apl. 4, 1885..$195.85..$327.61

If acceptable, please pass the same to our credit, less discount, and oblige Yours truly,

P. A. WRIGHT & Co.

Form usually printed on bottom of Statement Blanks and filled out to suit the occasion, the appearance of which on bottom of statement without being filled out is often quite sufficient, as it is an evidence that such a one would likely follow.

DEAR SIRS: Above please find statement of your account, which you will doubtless find correct; unless we receive your remittance by return mail, we will draw on you ——— at sight, for $———, amount of past-due bills, according to terms on bills rendered. P. A. WRIGHT & Co.

A LETTER INVESTIGATING REFERENCE.

NEW YORK, Jan'y.1st, 1888.

Mr. A. M. Warner, Boston, Mass.

DEAR SIR:—Having been referred to you by Mr. G. B. Allen of your city, with whom we expect to have some business dealings, we request that you will kindly furnish us with any information you may possess concerning his responsibility, reliability, and general business qualifications. We will regard such information as confidential, and be pleased to reciprocate the favor if the opportunity presents itself.

Yours truly, P. A. WRIGHT & Co.

A LETTER OF APPLICATION FOR A POSITION.

NEW YORK, Jan. 1st, 1888.

A. D.

Will please consider me as an applicant for the position advertised in the *Herald* of this inst. I am thirty-four years old, and have had twelve years experience as head book-keeper and cashier in first class New York houses; therefore feel equal to any emergency in accounting, and capable of assuming entire charge of the affairs of your office and conducting them to your infinite satisfaction. The question of salary can be settled according to your estimation of my ability after a fair trial. I am perfectly abstemious; in fact, have no objectionable habits. Satisfactory reference as to honesty and reliability will be furnished at interview, if you are pleased to accord me one.

Yours obediently, P. A. WRIGHT.

ULTIMATUM WITH DELINQUENT CUSTOMER.

Mr. Wm. Smith.

DEAR SIR:—Our draft on you for past-due account has been returned, accompanied by no explanation from you as to why you failed to honor it. Unless we receive your remittance by return mail, we will place the matter in the hands of our attorney, with instruction to bring suit for the amount, without delay. By giving this your immediate attention, you will save further trouble and expense.

Yours truly, P. A. WRIGHT & Co.

LETTER TO ATTORNEY.

NEW YORK, Jan. 2d, 1888.

M. P. Stafford, Esq., Attorney-at-Law.

DEAR SIR:—We enclose herewith, for collection, a statement

of our account against Wm. Smith. If not paid promptly, on presentation, you will please institute suit against him, and obtain judgment for the amount and cost. Your prompt attention will oblige,

Yours truly, _____ P. A. WRIGHT & CO.

ACKNOWLEDGMENT OF ORDER.

NEW YORK, Jan. 1st, 1888.

Mr. R. V. Johnson.

DEAR SIR:—Your order was duly received and appreciated; but having been mislaid through clerical carelessness, it has failed to receive the prompt acknowledgment and attention it otherwise would have had. We hope the delay has caused you no serious inconvenience or loss, and promise that it shall not occur again, if you should be pleased to favor us with further orders.

Yours truly, _____ P. A. WRIGHT & CO.

A LETTER OF INTRODUCTION.

EVANSVILLE, IND., June 17th, 1873.

Messrs. H. W. Rogers, Jr., & Bro., Chicago, Ill.

GENTLEMEN:—Permit me to introduce to your acquaintance, Mr. P. A. Wright of this place, who visits your city for the purpose of seeking employment as book-keeper. You will find him perfectly reliable, competent, and trustworthy: and I would deem it a special personal favor if you would take a little interest in doing something for him. You can recommend him fully for any position in which he will offer himself.

Yours respectfully, H. O. BABCOCK.

Letters of introduction must not be sealed, and on the envelope must be written in the lower left hand corner, "Introducing Mr. ——."

A LETTER OF RECOMMENDATION.

EVANSVILLE, IND., May 21st, 1873.

To whom it may concern:

The bearer, P. A. Wright, of this city, we have had business associations with for several years; and know that, as an accountant, he has good ability and writes a good clear hand. Habits good. We feel satisfied that he would be regarded with favor in any commercial firm giving him employment. Our acquaintance with the young gentleman has been of such a character as to commend him to our notice; and without hesitancy we recommend him to any firm in Chicago or elsewhere.

Very respectfully, CHARLES VIELE & CO.

FORM OF PROMISSORY NOTE.

$131\frac{76}{100}$. CHICAGO, ILL., Jan. 1, 1885

Sixty days after date we promise to pay to the order of P. A. Wright & Co., One Hundred, Thirty-one, and $\frac{76}{100}$ Dollars. Payable at our office, with exchange on New York.

Value received.

J. C. BROWN & Co.

FORM OF SIGHT DRAFT.*

$24\frac{00}{100}$. NEW YORK, Jan. 31, 1885.

At Sight pay to the order of Cashier of First National Bank, Detroit, Twenty-four $\frac{00}{100}$ Dollars, value received, and charge same to account of

P. A. WRIGHT & Co.

To

MESSRS. W. C. BROWNING & Co.,
Detroit, Mich.

FORM OF ACCEPTANCE.

$500\frac{00}{100}$. EVANSVILLE, IND., Feb. 1, 1885.

At five days' sight, pay to the order of ourselves five hundred dollars, value received, and charge to account of

To

E. H. E. WRIGHT & Co.

MESSRS. P. A. WRIGHT & Co.,
769 Broadway, New York.

The following is written across face of the above form, in red ink: "Accepted, Feb. 3, '85, payable at First National Bank. P. A. WRIGHT &Co."

---

* Time draft differs from this only in having the time to run specified.

FORM OF A RECEIPT.

New York, Jan. 31, 1885.

Received of Miller & Bros. sixty dollars, in full of all demands.

P. A. Wright & Co.

$60\frac{00}{100}$.

FORM OF DUE BILL.

Due on demand, to Austin Ross or order, seventy-five dollars, value received. New York, Jan. 31, 1885.

$75\frac{00}{100}$. P. A. Wright & Co.

"I. O. U."

A paper having on it the capitals I. O. U., with amount stated, signed and dated, constitutes another form of due bill used for small sums and short time, as a rule called an I. O. U.

FORM OF CERTIFICATE OF DEPOSIT.

$100\frac{00}{100}$. New York, Jan. 31, 1885.

P. A. Wright & Co, have deposited in this bank one hundred dollars, payable to the order of Austin Ross, on the return of this certificate properly indorsed.

Jeremiah Behm, *Cashier.**

---

* Form of exchange is not given, as it is a class of paper peculiar to banks, and bookkeepers are never required to make out a bill of exchange.

FORM OF MONTHLY STATEMENT.

MONTHLY STATEMENT.

NEW YORK, March 1, 1885.

MESSRS. J. C. BROWN & CO., Chicago, Ill.,

In account with

P. A. WRIGHT & CO.,

769 Broadway.

1885.						
Jan.	1	To Mdse. as per bill rendered..... 4/60	$137	25		
	9	" " " " " " n/30	13	00		
	9	" " " " " " 4/60	88	25		
	23	" " " " " "	189	30		
					$427	80
		CR.				
Jan.	24	By Cash on a/c.....	100	00		
	24	" " " "	75	00		
	31	" " " "	50	00		
					225	00
		Balance.....			$202	80

INVOICE OR BILL.

Terms: 4%, 60 days.
Bills not paid at Maturity subject to Sight Draft.
Book, *A.* Folio, 1. Salesman, *Ross.*
Shipping Directions, *M. D.*

769 Broadway,
NEW YORK, Jan. 1, 1885.

MESSRS. J. C. BROWN & CO., Chicago, Ill.,

Bought of P. A. WRIGHT & CO.,

DEALERS IN

SHIRTS, COLLARS AND CUFFS.

2½	Doz. No. 1 Shirts.....@$10.00	$25	00		
3	" " 2 " .....@ 11.00	33	00		
2	" " 3 " .....@ 12.00	24	00		
1	" " 4 "	13	00		
½	" " 5 " .....@ 14.00	7	00		
10	" Collars..... ...@ 1.60	16	00		
5	" Cuffs.....@ 3.60	18	00		
	Case and cartage.....	1	25		
				$137	25

MERCANTILE CALCULATIONS.

It does not follow that one must have sounded the depths of mathematics before he can become a bookkeeper. A common-school education, and therefore familiarity with the four principal rules of arithmetic (addition, subtraction, multiplication, and division), common fractions, simple interest, discount, and equation of payments, is all that is necessary. In fact, the old-time qualifications of "read, write, and cipher" are the fundamental principles of a business education. A few examples and short rules are given by way of refreshing the student's memory, it being presupposed that he is already conversant with all the above principles, for a better understanding of which he is referred to works on mathematics.

PERCENTAGE.

To get 10% of any amount, remove decimal point one place to the left.

To get 5%, remove decimal point one place to the left and divide by 2.

To get 1%, remove decimal point two places to left.

To get any other percentage, remove decimal point two places to the left and multiply by the given rate.

MULTIPLICATION.

The shortest method of multiplying any amount by any number less than 100 is to annex two ciphers and take aliquot parts.

EXAMPLE 1. Multiply 436 by $62\frac{1}{2}$:

2)43600
4)21800
5450
27250 (Answer).

Demonstration.

436 multiplied by 100 = 43600;

436 " 50 = 21800 (half as much);
436 " 12½ = 5450 (¼ of 50);
436 " 62½ = 27250 (50 and 12½ added).

EXAMPLE 2. Multiply 738 by 37½:

4)73800
2)18450
9225
27675 (Answer).

Demonstration.

738 multiplied by 100 = 73800;

738 " 25 = 18450 (one quarter as much);
738 " 12½ = 9225 (half of one quarter);
738 " 37½ = 27675 (25 and 12½ added).

EXAMPLE 3. Multiply 973½ by 67½:

2)97350.00
4)48675.00
12168.75
10)4867.50
65711.¼ (Answer).

Demonstration.

Express the fraction in multiplicand decimally.

973.50 multiplied by 100 = 97350.00

973.50 " 50 = 48675.00 (half as much);
973.50 " 12½ = 12168.75 (¼ of 50);
973.50 " 5 = 4867.50 ($\frac{1}{10}$ of 50);
973.50 " 67½ = 65711.25 (50, 12½, and 5 added).

Restore the decimal to common fraction $\frac{25}{100} = \frac{1}{4}$.

EXAMPLE 4. Multiply 769 by 95:

769.00 as multiplied by 100
38.45 " " 5
Answer—730.55 95

EXAMPLE 5. Multiply 769 by $266\frac{2}{3}$:

$$76900 \times 3 = 230700$$
$$76900 \div 3 = 25633\frac{1}{3}$$
$$205066\frac{2}{3}$$

Demonstration. Annexing two ciphers to any amount multiplies it by 100. It will be perceived that $266\frac{2}{3}$ is $33\frac{1}{3}$, or one third less than 300; hence, by annexing two ciphers and first multiplying by 3, then dividing same amount by 3, the difference between the two results thus obtained gives the answer. It requires many less figures by this simple operation than by the usual method of multiplication.

CANCELLATION.

It is the fewest number of persons who, after learning this beautiful operation as school-boys, give it any practical application in after-life to the many problems that can be solved by it quicker than by any other, requiring the fewest figures, and producing the most accurate result.

The principle is to draw a perpendicular line and place the principal and all multipliers on the right of the line thus drawn and all divisors on the left, first reducing both multipliers and divisors to a common denomination. Then strike out on both sides of the line any amount that can be divided without a remainder by a common factor, then multiply all the remaining numbers together on the right and divide their product by the product of all the remaining numbers on the left; the quotient thus obtained will be the answer.

EXAMPLE 1. What will be the interest on \$424 at 6% for 2 yrs. 2 mos. 15 days?

	106
3 ~~12~~	~~424~~
¢ ~~30~~	~~795~~ 159 × 106 = 168.54 ÷ 3 = 56.18
	¢

Answer—\$56.18.

Demonstration. 2 yrs. 2 mos. 15 days are equal to 795 days. Multiplying \$424 by 6% would give the interest for one year, or

360 days. To get the interest for one day we divide by 12 × 30, which is equal to 360. Then to get it for the required time multiply by 795, the number of days in that time.

EXAMPLE 2. If a piece of cloth containing 60 yards cost $34, what would be the selling price per yard in order to make 20 per cent? Answer—68 cents.

Demonstration.

	34
~~60~~	~~3400~~
~~100~~	~~120~~
	$2 \times 34 = 68$

EXAMALE 3. If I sell a hat for $4.50, making 20%, what was the cost per gross? Answer, $540.

Demonstration.

~~12~~ = ~~120~~	450
	~~144~~ = 12
	~~100~~ = 10 × 12 × 450 = 540

RULE FOR REDUCING FRENCH MONEY—FRANCS—TO U. S. CURRENCY.

Multiply francs and fractions thereof by the decimal .193, one franc being equal to $19\frac{3}{10}$ cents. Point off three places in the product (five places if there are fractional francs), and that will give the answer in dollars and cents.

RULE FOR REDUCING GERMAN MONEY—MARKS—TO U. S. CURRENCY.

Multiply the given amount in marks by the decimal .238, one mark being equal to $23\frac{8}{10}$ cents. Point off three places in the product: that will give the answer in dollars and cents.

RULE FOR REDUCING STERLING TO U. S. CURRENCY.

The exchange value of £1 is assumed to be $4.87 for all ordinary mercantile purposes, such as crediting invoices, approximating cost, etc.

At this rate we multiply the given £'s by $4, multiply shillings by 20 cents, and take aliquot parts for the pence, to the total amount of which we add one fifth thereof, and one twelfth of one fifth the sum total will be the answer.

In the first place we assume £1 to be equal to $4, at which rate one shilling, which is one twentieth of £1, would be equal to 20 cents, which is one twentieth of $4. Therefore five shillings and over, if multiplied by 20 cents, would give the answer in dollars and cents, four shillings and under in cents only. Having obtained the value of the given £ *s.* *d.* at the rate of $4, to get it at $4.87 we add one fifth of the amount at $4, which would give the value at $4.80 (80 cents being one fifth of $4); then add one twelfth of one fifth of $4, which would give the value at $4.87; one twelfth of 80, which represents one fifth, being in whole numbers 7, which is the nearest we can get it by this operation.

EXAMPLE. What is the value of £7 9*s.* 6*d.* in currency?

£7 9*s.* 6*d.*
4 20

$28	value of	£7			at	$4.00	
1.80	"		9*s.*		"	4.00	per £
10	"			6*d.*	"	4.00	"
5)29.90	"	£7	9*s.*	6*d.*	"	4.00	"
12) 5.98	"	7	9	6	"	.80	"
49	"	7	9	6	"	.07	"
Answer, $36.37	"	7	9	6	"	$4.87	

SHORTEST KNOWN RULES FOR COMPUTING INTEREST, ANY RATE FOR ANY GIVEN TIME ON ANY GIVEN AMOUNT.

CASE 1. To find the interest at 6% for 30 days on any amount.

Rule 1. Divide the amount in dollars by two, and that will give the interest in cents.

CASE. 2. To find the interest at 7% on any amount for any number of days.

Rule 2. Proceed according to Rule 1 and add one-sixth of the result. Deduct one-sixth to find the interest at 5%. Any other

percentage may be found by adding or subtracting as the case may require.

CASE 3. When the time is in years, months, and days, reduce the time to days, and proceed as in Rule 2 and take aliquot parts for the fractional part of 30 days.

CASE 4. Any amount will show upon its face the interest thereon at 6% for 60 days, by removing the decimal point two places to the left.

All Interest rules are made on a basis of 360 days to the year, when in fact there are 365 days in a year; hence in business we never figure Interest by the month nor by the year, but always *by the days*. In school we were taught that the Interest on $500 for one year (from Jan. 1st to Dec. 31st, 365 days) @ 6% was $30, when in business we know it is $30.42. Always count the actual number of days intervening between two given dates. This is another instance in which theoretical or school methods differ from practical methods.

AVERAGING ACCOUNTS.

Fixing a date upon which a number of amounts occurring on different dates and having different time to run before maturity would amount to same thing as if the sum total of all the amounts had occurred on one date.

CASE 1. When the account contains debits only, with equal time to run.

Rule 1. Multiply the amount of first bill by the number of days intervening between first and second bill; add the two bills together, and multiply the amount by the number of days between second and third bill; add the three bills together, and multiply the amount by the number of days between third and fourth bills, and so on to the end of the account. Divide the total amount of products thus obtained by the total amount of bills, and the quotient arising will show the number of days back of date of last bill, which will give the average date of the account.

EXAMPLE. What is the average date of the following account?

January	3,	$40,	4 mos.;
	5,	20,	"
	9,	70,	"
	17,	30,	"
		$160	

Demonstration.

$40 \times 2 = 80$
$60 \times 4 = 240$
$130 \times 8 = 1040$

160)1360(8½ days back of Jan. 17, considering the ½ d. is Jan. 8th (or 9th) for average purchase date, and the average due date May 8th or 9th.
1280
80

Case 2. When an account contains both debits and credits of different dates and unequal time to run, and it is desired to know when the balance will average due.

Rule 2. Find the due date of each bill by extending it full time it has to run. Then find the average date of the debits and the average date of credits, according to Rule 1, Case 1. Compute the interest on total amount of debits and credits separately at 12% per annum from the first of the month on which the first transaction matures to their respective average date. Divide the difference in interest thus obtained by the balance of the account; the quotient will be the number of months from the first of the month on which the first transaction matures or the date on which the balance is due. If the balance of interest and balance of account are on opposite sides,—that is, the interest on the smaller side of the account be greater than the interest on the larger side, —the time will be reckoned back of first day of the month on which first transaction matures.

Example. When will the balance of the following account be due?

	Dr.		*Cr.*
January 3, 30 days.	$30	February 5.....	$25
8, 60 "	25	March 2.....	40
13, 90 "	20	April 3.....	35
18, 4 mos.....	75	Balance.....	50
	$150		$150

Demonstration.

Bill January 3 would be due February 2;
" " 8 " " March 9;
" " 13 " " April 13;
" " 18 " " May 18.

February 2, 30 × 35 (No. of days between Feb. 2 and March 9) = 1050
March 9, 25—55 × 35 (" " Mar. 9 and April 13) = 1925
April 13, 20—75 × 35 (" " April 13 and May 18) = 2625

May 18, 75 5600

150)5600(38 days back of May 18 = April 10 or average date of debits.
450
1100
1200

February 5, 25 × 25 (No. of days bet. first and second payment) = 625
March 2, 40—65 × 32 (" " second and third ") = 2080

April 3, 35 2705

100)2705(27 days back of April 3 = March 7 or average date of payments.
200
705
700
5

Interest on $150 from February 1 to April 10 @ 12% (69 days) = 345
" 100 " " 1 March 7 " (35 days) = 116

Balance of a/c $50 Difference in interest, 229

229 ÷ 50 = 4⅘ months, or 4 mos. 18 days.
4 mos. and 18 days from February 1st is June 18th—average due date of balance.

WONDERS OF MATHEMATICS.

An interesting problem for two—say A and B.

First proposition is for A to put down three amounts in the order of addition containing any number of figures, under which B will write two more amounts containing same number of figures.

Second proposition: B will write the answer or sum total of the five amounts thus written after seeing A's first amount and before

any other figures are made, thus: Assuming the first line A puts down to be

7690

27688

omit four lines for next four amounts, and B will write the answer 27688.

Demonstration.

7690	A's first line
2315	" second line
6019	" third line
7684	B's first line
3980	" second line
27688	B's Answer.

The result can be ascertained for any sum containing an odd number of amounts on the same principle.

The above being designed more to amuse than to instruct, the explanation is omitted to give the reader an opportunity of exercising a little thought and mathematical skill to arrive at the proper solution. Those who cannot do it, if sufficiently interested, can write the author, who will take pleasure in furnishing a key to the solution and give a reason therefor.

SOMETHING EASY.

Select any figure, multiply it by 9, then multiply 12,345,679 by the product, and the new product or result thus obtained will contain nine of the figures first selected.

Demonstration. Suppose 8 be selected,

$8 \times 9 = 72$

12,345,679
72

24,691,358
86,419,753

888,888,888

PRESS-COPYING.

This very useful and great time- and labor-saving process consists in reproducing a manuscript quickly and exactly by taking an impression in a book of manilla paper of very fine texture. A set of blotters and oil-sheets accompany every book, the former being used in producing the copy, and the latter to place between the copies when made to prevent blurring or blending of one with the other while the paper is still damp, making them illegible.

The process is to place a blotter, same size as the leaf on which the transfer is to be made, beneath the leaf, which is then dampened with a soft brush (some use a rag or sponge, but a brush is better, and was originally used with the invention), after which another blotter of the same size is placed on the dampened leaf and borne down with sufficient pressure to absorbe all superfluous water that is left after the sheet is thoroughly moistened ; then the top blotter is removed and the manuscript placed on the damp surface with the written side downward, the blotter is replaced over it, and the book is closed and placed in the press, which should always be left ready to receive it. Turn the wheel or bar as far as it will go, then reverse it immediately, and you will have a perfect copy. It is not at all necessary to allow the book to remain in the press longer than an instant, unless the manuscript has been written over an hour, as the copy is completed just as soon as the writing is brought in contact with the moistened surface, providing *copying-ink* has been used, ordinary writing-fluid not copying at all.

Many people first place the oil-sheet beneath the leaf to be dampened, on which the matter is to be reproduced. This is wrong, as the water penetrates the manilla paper, and, the oil-sheet being impervious to water, the superfluous water between the two would make the former too damp to produce a clear and perfect copy. The oil-sheets were originally designed by the inventor of the process to be placed between the copies after they are made, for the reason before stated.

335*a*. The eighteen lessons can be written up again, and by assuming the inventory to be $7,100, the result will show a loss, and the books must be closed according to the same rules, which explain how to proceed in case of loss. Each partner's Net Loss would be $42.91½. The Assets and Liabilities will be the same as in the other set, except the reduction in the inventory, which will reduce the assets $200.00.

TWO PROPOSITIONS IN SINGLE ENTRY.

FIRST.

335*b*. A and B are equally interested in business; at the close of the second year their joint effects are $39,954.24; their liabilities are $6,264.26. At the beginning of the second year A had at his credit $13,393.60; B had a credit of $15,820.25. During the year A drew out of the business $7,806.12; B drew out $5,802.76. How much had each remaining in the business after closing the books?

SECOND.

335*c*. C and D are contractors and builders, and are equally interested. They erect one house that cost $15,436.79. C contributes $6,063.88; D contributes $9,372.91. C collects in various ways $4,895.65, and D collects $10,000. Before selling the house they conclude to dissolve copartnership. How much money must change hands to make them equal owners of the house?

335*d*. In demonstrating these propositions or solving any problem in single entry, first ascertain if there has been a profit or loss, and adjust it according to agreement, following rules on page 47,

ENIGMAS.

1	2	3
1462999	1905999	89766

335*e*. Those who have read this book comprehensively can easily discover the hidden meaning of the foregoing figures.

BUSINESS METHODS

A THREE WEEKS COURSE OF PRACTICE

SYNOPSIS.

FIRST LESSON.

We introduce and open a set of books—Proper arrangement of Columns in a group—Invest Cash in the business—Open the Partners' Capital accounts; also an account for Cash, Expense, Office Furniture, and First National Bank—How to make a deposit—The sign of Debit and Credit in the bank account—How to dispose of *Cash over* and *Cash short*—How to prove the Cash—Importance of proving the Cash every evening—How to post from the Cash-book—How to close it..... 155

SECOND LESSON.

Buy goods on credit—Open an account with three creditors—When posting should be done—How to regulate space for Ledger accounts—How to arrange them for convenience—Lock Ledger explained—Customers' Ledger—Purchase Ledger—Sell goods on credit—Open an account with four customers—Importance of keeping the address of employees and others—How to post from the Journal and the Sales-book..... 163

THIRD LESSON.

A customer settles by note—Open a Bills Receivable and a Discount account—Difference between a memorandum and an entry—Settle with a creditor by note—Open an account for Bills Payable—Charge up more goods—Requirements of the business suggest what accounts to open—Initials only necessary in posting—What *regulates* the dating of notes..... 167

FOURTH LESSON.

Reopen the daily Cash—A customer settles in cash less the discount—Settle with a creditor by giving check on bank—Petty Cash—How to dispose of little items of expense—Open an account with a salesman—How to dispose of retail sales—Five questions in proving Cash—Answers thereto—Five more in counting money in the drawer—Answers thereto..... 171

FIFTH LESSON.

Discount a note at bank—Open Interest account—Difference between Interest and Discount—How to find present worth of a note—A creditor draws on us at sight—Pay-day—Pay-roll explained—How to dispose

of the matter when part of the employees are manufacturers—How to keep the bank account straight—Buy goods and settle for them by note—How to dispose of the matter when a new customer buys goods and settles by note—Business method *versus* Commercial College nonsense—Petit Accounts Receivable—Enter more goods..... 175

SIXTH LESSON.

Negotiate a loan at bank—How it is done—What regulates the rate of interest charged—Paying other people pursuant to instructions of a creditor for his account—Why checks should not be entered in Cash-book soon as drawn—A customer returns damaged goods—Another customer declines to pay for case and cartage—What to do in each instance..... 180

SEVENTH LESSON.

Two customers settle by note—How both are disposed of at the same time—We transfer one note to a creditor in part settlement—Buy more goods on credit—A creditor draws on us at 10 days sight—When the book-keeper would be permitted to sign the firm name—When he would not be permitted to sign it—Power of attorney—Absurdity of not allowing the book-keeper to indorse checks for deposit—Authentic signature—Circumstances alter cases—A sharp trick checkmated..... 184

EIGHTH LESSON.

Additional investment by one partner—Two customers request us to draw on them at sight—Their object—How we would proceed in the matter—Open an *Exchange* account—When and how to dispose of the differences that arise in cash settlements—Importance of being methodical—Buy goods C. O. D.—Importance of explanation in every cash transaction—Return of the transferred note—Counter entry—Buy more goods on time—When the year and month must appear on the books—How to enter goods sold C. O. D.—Exchange on New York..... 188

NINTH LESSON.

Receive by the same mail a remittance from two customers, less discount—How to dispose of the matter when the money we receive includes a part that must be handed to another—An error due to inexperience and lack of judgment—Pay two other creditors by giving check—Draw on a customer at 15 days sight—Charge up more goods..... 193

TENTH LESSON.

A customer remits on account—Pay our acceptance due this day—How it would be paid—Start a salesman on the road, advancing him money to pay expenses—Advantage in giving him a check for part of it—How to dispose of the matter—Why it would be wrong to charge it to his personal account—How he would get the check cashed when possibly 1000 miles away—How to close the monthly Cash-book—How to ex-

plain the results—Open salesman's travelling account—How to close the Sales-book at the end of the month—An entry peculiar to the last day of every month on the Journal—How to close the Journal—Difference between *giving* and *agreeing to give*..... 19

ELEVENTH LESSON.

Trial Balance—How to proceed in making it—How to find errors in Trial Balance—Last resort—A Trial Balance of the usual form showing the condition of the books if they have been properly written up—The usual rule for transposition of figures is the creation of the inexperienced— "Red Ink Promises" veritable bosh..... 200

TWELFTH LESSON.

Introduce a four-column Journal; also two Discount columns in the Cash-book—Buy more goods on account from three firms—Receive a remittance from two more customers, less discount—A point in financiering—Pay a creditor by check, less discount—How to dispose of cartman's bill—How we know his bill is correct—A wrong conclusion naturally drawn by the student—Inconsistency, thou art *not* a jewel—Charge the same customers with more goods—How to read the peculiar entries on the Cash-book this month, and how to post them..... ... 201

THIRTEENTH LESSON.

Pay our first note which falls due this day—How it would be paid—Bank account overdrawn—Peculiar way of showing overdraft—When permitted to overdraw—How to make it good—The great advantage of getting our customers to give us notes—The unsatisfactory method adopted by many book-keepers—Discount several notes at bank—How to charge the bank account with the proceeds and restore it to its normal condition—How to dispose of the box-maker's bill..... 207

FOURTEENTH LESSON.

A customer's note goes to protest—What is meant by *protest*—Having discounted the note at bank we must pay it for our customer—Give the bank a check upon themselves—Bank account again overdrawn—Receive an opportune remittance from a customer, less discount—Lend money on bank principles—An apologetic letter from a delinquent customer—Fabrication from whole cloth—Receive a new note in renewal of protested note, covering protest fees and interest—The business method of disposing of the matter; also the Commercial College method—Logic *versus* old-fogyism..... 211

FIFTEENTH LESSON.

Receive a 4 mos. note from a customer—Another customer calls in his note before it is due—How to withdraw a note previously discounted at bank and substitute another of different amount and different time to run—Theory *versus* practice—Why Business College methods are im-

practicable—Old fossils (Business College presidents) handled without gloves—Pay another note—Introduce two transient customers' accounts—Charge an employee with goods..... 215

SIXTEENTH LESSON.

Another note due to day, which we renew—How to renew a note at bank How to renew a note if held by private parties—Receive remittance for draft made on a customer, less exchange—A customer remits for two bills, less discount—Another makes a payment on account—How to counteract a loss of discount..... 218

SEVENTEENTH LESSON.

A customer fails and settles at 40%—Open an account for *Profit* and *Loss*—Travelling salesman returns and accounts for the money advanced him—How to adjust it on the books—Why we prefer to make all payments by check—The junior partner draws money—The peculiar manner of closing the books this month explained—Adjust the interest on the senior partner's additional capital..... 220

EIGHTEENTH LESSON.

Trial Balance—The end of the season—Close the Ledger and adjust the profits—Show Assets, also Liabilities—Make a final Balance Sheet—Reopen the books, ready for a new year—Proof figures that the books have been written up correctly—Two propositions in single entry book-keeping, showing how to adjust the interest of each partner in the business—Simple, although but few can do it—Enigmatic figures—Grand *Coup de grâce*..... 225

MANUFACTURING BUSINESS.

How the books are conducted—Their wonderful details explained—Book of Costs—How to make cost price—How to make selling price—Four interesting afterthoughts—How to treat accommodation paper—Realities and formalities—Private mark for cost price—How to dispose of small sums advanced to employees—Machinery and fixture account—How to ensure punctuality—Why some firms pay off Friday instead of Saturday—How to dispose of piece-work turned in but not paid for.

COMMISSION BUSINESS.

Produce, Cotton and Tobacco, also Dry-goods commission business—How the books are kept for each—Form of consignment book—When it would not be needed—The conventional form of consignment book found in other publications not practicable—Account sales-book—Form of an *Account Sales*—How to journalize an account sales—How to dispose of money advanced on goods *in transitu*—*Factory* erroneously called *Mill*—How the commission merchant adjusts the discount between manufacturer and dealer—Drawback, its object and how managed—A system preventing delivery of goods that have neither been charged nor paid for.

A THREE WEEKS'

COURSE OF PRACTICE,

CONSISTING OF

EIGHTEEN LESSONS OF ONE HOUR EACH.

FIRST LESSON.

1. If we were called upon to open a set of books for a firm just beginning business, and given *carte blanche* to buy whatever books we needed, it would be important to know what the necessary books were, which would be governed to a certain extent by the kind of business in which the firm was engaged.

2. In any business, however, where the books are kept by double entry we would require a Cash-book, Sales-book, Journal, and Ledger, as principal books; also Check-book and Bill-book (including Bills Receivable and Bills Payable in one book), as principal auxiliaries, adding from time to time any others we found use for as being convenient for reference for special purposes.

3. The peculiarities as to ruling and usage of each book are fully explained on pages 51, 52, 53, 54, 55, 56, 57, 60, and 61, which see, and which should be read thoroughly and comprehensively.

4. Let us assume that yourself and the writer form a copartnership for carrying on a wholesale and retail mercantile business under the firm-name of P. A. Wright & Co., each contributing $1000 in cash capital, constituting each equal partners in the business, sharing alike in the gain or loss of the enterprise.

5. The first entry would necessarily be a cash entry in the Cash-

book. We therefore open our Cash-book at page 2, as it would require two pages (2 and 3) to make one in this book—the left-hand or page 2 for the debit side, and the right-hand or page 3 for the credit side.

6. The pale blue line running across the page ¼ inch above the triple line (two red and one blue), at the top of the page in every blank-book, is made to be written upon, but there must be no writing on the triple line, except perhaps headings of columns. Those familiar with blank-books of course understand this fact, but those not accustomed to work on books would not understand without this explanation.

7. We head our Cash-book DR. on the extreme left of page 2, and CR. on the extreme right of page 3, and CASH about midway of each page on the pale blue line above alluded to. Head each column as it is headed in our miniature Cash-book, pages 64 and 65, omitting the discount on both sides on the supposition that we will have no use for them the first month. The amount columns must always be on the right of the group, where there are many, and must always be the widest; the sundries next in location and width. As no book we find ready-made is properly ruled for a Cash-book, we rule the necessary special columns ourselves; also the dividing line midway of each page separating Lèdger names from the explanations.

8. We charge *Cash* with the money received from the two partners, and credit each of their accounts by writing their names on the debit side of C.B. in the space set apart for Ledger names only, prefixing *To* in the first instance and the substitutes (,,) afterwards, never repeating "To" or "By" on any book. In the next space set apart for explanations we write

Amt. invested.

in the first instance, and the substitutes for each word afterward, which we will call *dittoing* hereafter. The first entry on debit side of C. B. will be written thus:

Jan'y 1.	To P. A. Wright	Amt. invested,	1000.00

omitting sign $, which must never be on the books.

9. Assuming that the money contributed by the partners was in checks on their private bank for $1000 each, we would indorse

them in the firm-name, that is, write the firm-name across the back, and deposit them in the First National Bank, which the firm intend to keep their joint account with, first noting the amount of the checks on a *deposit-slip*, which would be furnished by the bank, and which would be attached to the checks and left at the bank for their convenience. (We will refer to the bank as *our bank* hereafter, and use the word in the third person plural, as it really means the bankers themselves.) The Check-book will be our bank account and kept by single entry. The only sign we have for debiting the bank is by *adding to*, and the only sign for crediting it will be by *deducting from* the account.

10. On the fly-leaf facing the first checks we make the following memorandum:

Jan'y 1st, 1888. Deposited 2000.00.
1000.00
1000.00
2000.00

first placing the total amount of checks at bottom of the line of figures, then carrying it into the column specially ruled on the fly-leaf, on the same line with the word *Deposited*, thereby charging the bank with $2000.

11. We draw out $500 by making a check payable to bearer, first making the following memorandum on the stub from which the check will be detached :

No. 1. Jan'y 1st, 1888.
Bearer.
For drawer, 500.00.

Bearer being written midway of the stub on a line by itself, and meaning the person who presents the check at bank, to whom the money must be paid without his identification. *For drawer* must be on the next line, and means the money was drawn and put in the cash-drawer, to pay small bills for which we would not like to make a check. The amount must be located in the column, also on same line in the column in the left containing deposits, and deducted at once, showing balance in bank, $1500.

12. We then buy with part of the money in the drawer the

necessary articles of furniture for the office, as enumerated in Miniature Cash-book, page 65, crediting *Cash* and charging *Office Furniture*, by writing it in the space set apart for Ledger names on credit side of C. B., prefixing "By," and in the space for explanations we name each article purchased, placing the cost of each directly over the name, and extend the total cost into the sundries column on the last line used.

13. We also buy with cash from the drawer—which we will call *currency* hereafter—a set of books and other necessary stationery and desk-ware (see page 65), which we charge to Expense, and credit Cash same way as last entry. In the space for explanations we name the various articles of expense, and place the cost in the Special Expense column at once when the line is full, not the total cost of all in one amount.

14. The reason for having but one amount in the Sundries column and many in the Expense column is because every item in the former must be posted, and we want as few items therein as possible; while the items in the latter are not posted until the end of the month, when they resolve themselves into one amount in the footing of the column; hence there would be nothing gained by consolidating them before extending.

15. It is customary with many firms to have office furniture charged to *Expense*, others have it charged to *Mdse.*, both of which are incorrect, as office furniture is always worth its cost to us at least for years to come, hence could not properly be regarded as an expense, which would be making the profits of first year's business suffer for the benefit of each succeeding year while the furniture was in use; and any partner retiring from the firm first year would find his share of the profits reduced to the extent of his part of the office furniture's cost.

16. After several years' use, the furniture would be revalued, and a certain per cent for wear and tear charged to Profit and Loss, and credited in the office furniture account by a Journal entry of *First Form.*

17. We return to our work on the books, and assuming we had no further cash transactions for the day, we *prove the cash*, that is, see if the difference between the debit and the credit side of Cash-book agrees with the actual cash on hand. We take a piece of

paper which we will call *proof sheet*, on which we add the debit side of Cash-book, showing amount of money received, $2000. We add credit side, showing amount of money paid out ($245 in the Sundries and $36.25 in the Expense), $281.25, and the difference $1718.75, or *balance on hand* according to C. B. In actual business we could not rely upon the figures being correct, as we are receiving and paying out alternately all day, and may make erroneous entries or possibly inadvertently omit something; hence we must verify the figures. The proof would be to count the money in the drawer, and add it on *proof sheet* to the balance in bank as per Check-book, which we find makes $1718.75, and therefore proves the cash has all been entered, and also proves the bank account to be correct.

18. Not having the actual money to handle in this imaginary business, we will find out how much there is in the cash-drawer by figuring. We know we lodged $500 in the drawer in the first place, and we also know that we paid out of the drawer $245 in one place and $36.25 in another, and hence there must be still remaining therein the difference, $218.75.

19. If we find more money than the Cash-book indicates, that means the overplus was received from some source, and not entered on debit side of C. B. If we find less than we should have according to C. B. balance, that means we have paid out whatever amount we are short, and failed to enter it on credit side of C. B.; hence the great importance of proving the cash every evening, while the events of the day are still fresh in our minds, which would enable us by a little reflection to recall every transaction during the day, and discover the error of omission; whereas, if the proof was deferred until next day, we may never be able to discover the mistake, which would necessitate the very unsatisfactory entry, *Cash over*, or *Cash short*, both of which would carry with them the idea of a careless and, therefore, unsafe and unsatisfactory cashier, whose tenure of office would doubtless be of short duration.

Cash over, if only a few cents, may be accounted for by the money received for postage from outsiders or employees for their private correspondence, and would be disposed of by putting the *overplus* in the Stamp-box, which should be kept in the Cash-

drawer, and taking no further notice of it until $3 or $4 had accumulated, when we would buy more postage with it without entering it. If the overplus is large, it should be carried to a *Suspense* account, as it would be discovered in the future, most likely, and could then be properly adjusted by a cross-entry in the Journal. We would enter it on the debit side of Cash-book, thus:

To Suspense. Cash over.

Then open a *Suspense* account in the Ledger, and on credit side write

By Cash.

Cash short, if only a few cents, we would make good out of our own private funds, or out of the Stamp-box, for the purpose of keeping the cash straight. If the shortage was several dollars, it should be charged to *Suspense* on the credit side of the Cash-book thus:

By Suspense. Cash short.

and if the various items that may have been carried to the Suspense account are not discovered during the year, we would then adjust the difference by carrying it to the Profit and Loss account. Many book-keepers charge the shortage to Expense, others to Profit and Loss at the time it occurs, and the overplus they enter in the *Mdse.* column, or at the credit of Profit and Loss; but as it is a matter really in Suspense for the time being, and likely to be discovered any day, it would be better to have a *Suspense* account, as you can readily see.

20. If the balance is proven to be correct, we *write up the daily cash*, as it were, by extending the total of each column into the outside or amount column, on the last line used in each column on both sides.

21. Then balance the daily cash in red ink, thus:

		1500	218.75	
,,	Balance	Bank	Drawer	1718.75

placing the figures representing money in the bank and in the drawer directly over the words,—in two lines precisely as they are given above,—and extending the total of the amounts into the outside column, making those two columns agree.

22. Then close them by underlining thus: draw a single red line across each on the same line, beginning on the credit side on same line with the red-ink figures, because the entries extend further down the page on that side than on the debit, there being considerable space on the debit side not used, draw a short line across the column for days on that side, on same line with the other just drawn, as a basis from which to rule an oblique red line terminating at the *Mdse.* column on the last line used on that side; then on the next line draw a double red line across amount columns on both sides, thereby closing them. Also draw a single line across the main part of the book, on same line with the closing double lines, beginning at the line separating months and days on each side and terminating at the special columns, to keep each day's work separate from the other. We leave the two specials and two sundries columns open until the end of the month, to enable us to get a monthly result.

23. After closing the cash we post,—make the final entry in the Ledger. *See page* 35, *about* FIRST PART and COUNTER PART.

Let us always bear in mind that we make two entries of every transaction—first and final entry—and if the account is debited in the first, it must also be debited in the final entry; or if credited in the first, it must also be credited in the final.

On first page in the Ledger we open an account with the senior partner by writing his name on the blue line (see paragraph 6), locating it half-way between DR. on the left and CR. on the right. We then read first entry on the debit side of C. B., thus: *Cash Dr. to P. A. Wright*, $1000, the cash being already disposed of temporarily in the C. B., which is the Ledger cash account; we pass it and turn to P. A. Wright's account just opened in the Ledger, and reason thus: Cash having been debited $1000 to P. A. Wright, his account must be credited by cash $1000, thus:

Jan'y 1.	By Cash,	2,	1000.00.

Then return to C. B., and in folio column place the figure 1 opposite his name, showing Ledger page where his account is opened. Half-way down first page in the Ledger we open an account with the junior partner, repeating the DR. and the CR.

as a matter of uniformity, making the written line as long as the one at top of page; proceed in the same way in disposing of his account, by reading next entry on that side of C. B. of which his name is the last part, and Cash Dr. the first part. In fact, *Cash Dr.* constitutes first part of every entry on that side of the page, and must be repeated in connection with every name on that side in the space for Ledger accounts, which must be credited by Cash.

24. Open *Office Furniture* account on page 2 in the Ledger; then read first entry on credit side of C. B. thus: *Cash Cr. by Office Furniture.* Cash being credited already on the C. B., which is the Ledger Cash-account for the present, we pass it and turn to *Office Furniture* account just opened in the Ledger, and reason thus: Cash having been credited by Office Furniture $245, the Office Furniture must be debtor to Cash $245, according to the first law of double entry (which see, page 29), thus:

Jany. 1. To Cash, 3, 245.00.

Mark it posted by putting figure 2 in the folio column in Cash-book, on the same line with Office Furniture.

25. We read the next entry on credit side of C. B. thus: *Cash credit by Expense*, which means that expense must be debited to cash, and will be, not at present because it is in a special column, but at the end of the month in the final footing of the column; we pass it for the present, and check it thus (✓), showing it had not been overlooked.

26. *Cash Cr.* is first part of every entry on that side of C. B., and it must be repeated in connection with every name on that side in the Ledger accounts that are to be charged. This would end the first lesson of practice, and nothing further should be done until next day except study the definitions on pages 17 to 21, and the eight short rules on page 29, which must be committed to memory.

26½. *Review this and each succeeding lesson according to the questions in that part of appendix relating to the lessons, then pursue order of reading No. 4 on page 6. The events of the business as narrated in each lesson must be remembered, also the manner of disposing of them on the book, so that if similar events take place hereafter in the reader's experience he may know how to dispose of them also. All words and phrases in italics have a special significance, hence must be specially remembered.*

SECOND LESSON.

Head the Journal NEW YORK, JANUARY 1st, 1888.

27. Let us suppose that we bought on credit $2000 worth of goods, which we receive from three firms as follows: Wright Mfg., $1000; Earle & Co., $500; and Sanford & Co., $500, for which we have their Invoices before us. As the goods are taken out of the cases the receiving clerk must check each item of quantity on every bill, and if all the goods are found that the bills call for, he marks O.K. on each bill and signs his initials; then hands them into the office, when the prices the goods are charged at would be checked on each bill by the buyer, after which he O.K.'s them also, when it becomes the book-keeper's duty to examine and check the extensions and footings of each bill and put his O.K. on them,—all of which means the goods are in store and that we owe the three firms the amount of their respective bills, which facts must be recorded in the Journal according to *Second Form*, charging *Mdse.* with total amount of all the bills and crediting each firm by the amount of their respective bills; then explain on the next line after completing the journal entry (use Two Column Journal, see page 82),

As per bills on file,

which explanation carries with it the idea that the goods were purchased on account; otherwise the bills would not be on file but thrown into the waste-basket.

28. After we have entered the bills we mark on the face of each with colored pencil J 1, which means entered on page 1 in the Journal, and when the bills are brought to our attention again, as they doubtless would be found on our desk many times in the future, when somebody had been looking them over for some reason, we will not fall into the egregious error of re-entering them, which we may do if we did not see the destinctive mark showing they had already been properly disposed of.

29. Posting can be done at intervals when there is nothing more important requiring our attention; it should be done every

day if possible, but can be deferred indefinitely if we were pushed for time. In posting the entry just made on the Journal we dispose of *Mdse.* first because it is the first account in the entry. We open a *Merchandise* account on page 3 in the Ledger, writing it and all Ledger headings hereafter in full with DR. on the left and CR. on the right of the name. Then read the Journal entry —*Mdse. Dr. to Sunds.*—thereby getting our double-entry proposition thoroughly fixed in our mind; then turn to *Mdse.* account just opened in the Ledger and repeat the proposition from the Ledger standpoint, beginning at top of the page where *Mdse. Dr.* is already written: then supply *To Sundries* thus:

Jan'y 1. To Sundries, 1, 2000.00.

on the debit side. Turn to the Journal and write 3 on the line with Mdse. in the column designed for days on the left, meaning posted on page 3 in the Ledger.

30. Then open an account with Wright Mfg. Co. on page 4 in the Ledger, and credit it *By Mdse.* thus:

Jan'y 1. By Mdse. 1, 1000.00,

also marking it posted same way. In order to see clearly why we credit their account by *Mdse.* we read the Journal entry again. *Mdse. Dr. to Sunds.*, which means Mdse. is debtor to the following accounts; and as theirs is one of the following, *Mdse.* is therefore debtor to them, and their account must be credited by Mdse according to the law of double entry, page 29. Open account with Earle & Co. on page 5 in the Ledger, crediting it the same way and for the same reason. Half-way down the page open account with Sanford & Co., disposing of it in the same manner, pursuing the same line of reasoning. Do not forget the post marks, which must never be made until the transfer is completed.

31. In opening Ledger accounts the inexperienced would be at a loss to know how much space to assign them; there can be no definite rule given to govern that matter, but on general principles we assume that more business will be done with the account where the first entry would be for a large amount, than if it had been smaller. The smaller the initial entry, therefore, the smaller the space assigned each. If the space proves to be excessive, it

can be appropriated to another account any time, and if not enough, the account can be continued on another page.

32. As a matter of convenience we group together on consecutive pages in the Ledger the accounts of creditors, also those of customers in another part of the Ledger. The representative and the speculative accounts, together with the partners' capital accounts, are by many firms kept in a Lock-ledger for privacy. If we have no access to the Lock-ledger, we would keep a LOCK-LEDGER account on the general Ledger, to represent the matter belonging in the private Ledger. In a large business there is kept a Customers' Ledger, for their accounts only; also a Purchase Ledger for our creditors only. If we have the key to Lock-ledger, we must consider all three Ledgers in making trial balance, as neither one is supposed to balance in itself. If no Lock-ledger is kept, then the first few pages in general Ledger must be reserved for the partners' capital accounts, and the speculative accounts put in the back part, where they would be more secluded and private.

33. We next introduce practically the Sales-book, by charging therein four firms whom we are supposed to have sold on various terms of credit, explained on pages 84 and 85. First head the page MONDAY, JANUARY 1st, 1888, and charge Miller & Bros., St. Louis, 5%, 30 days, $134.85, for goods consisting of shirts, collars, and cuffs, an itemized account of which must be made in the Sales-book, duplicating first entry on page 86. Charge J. C. Brown & Co., Chicago, 4%, 60 days, $240.50, duplicating the last entry on page 87, adding 2 doz. more No. 4 at 13 and one doz. more No. 1, at 10. Charge W. C. Browning & Co., Detroit, 3%, 90 days, $217.75, duplicating first entry on page 88. Charge Davis & Co., Cincinnati, 4 mos., net, $209.75, duplicating last entry but one on page 87. These four charges will about fill first page in the Sales-book, and complete the first day's sales. We draw a red line between each entry, terminating at first column on the right and across the outside column at the bottom of the page, adding it, and on same line with the footing write *amt. carried forward*, and on first line on next page write *amt. bro't forward*.

34. We then post from the Sales-book, open Miller & Bros.'

account on page 6 in the Ledger (see page 98), and say, Miller & Bros. having been charged in the Sales-book they must also be charged in the Ledger (see paragraph 23). On the debit side of their account we make the following entry, viz.:

Jan'y 1. To Mdse. 5/30, 1, 134.85

then mark it posted on the Sales-book by placing 6 (the Ledger page) in the first column on the left on same line with their name. Open account with J. C. Brown & Co. half-way down the same page, Dr. on the left and Cr. on the right, and their address on next line on the right from the date on that side; then on next line below the address we write on the debit side of their account:

Jan'y 1. To Mdse. 4/60, 1, 240.50.

Mark it posted same way as last entry. There must be no red lines across the page either below or above the name in the middle of the page. That would be extremely bad taste. Open account on page 7 in the Ledger with W. C. Browning & Co. same as Miller & Bros., and on debit side make the following entry:

Jan'y 1. To Mdse. 3/90, 1, 217.75,

and mark it posted. Half-way down page 7, open account with Davis & Co., on same line with J. C. Brown & Co. on opposite page, stating their address same way, and post the same way,

Jan'y 1. To Mdse. 4/m., 1, 209.75,

and mark it posted also.

35. It will then occur to our mind that we have made four debit entries in the Ledger, but no credit, which the law of double entry requires must be made. We will make the credit entry at the end of the month by posting the final footing of the sales-book on the credit side of Mdse. account thus,

Jan'y 1/31. By Sundries—(giving the page in Sales-book) $—(stating the amount),

and mark it posted. (See description of *Sales Book*, on page 54.)

36. It will be noticed that the address of each customer is stated in their Ledger account, which was not the case with our

creditors'. The reason is, we send our customers monthly statements, which are made from the Ledger account, and by having their address before us we know where to send the statement without having to look elsewhere for it. On the other hand, our creditors send their statement to us, which would show their address, to which we must make a remittance when the account is due.

37. It is best to have the address of everybody we deal with appear in their Ledger account. It is also important to keep the address of every employee, so that in case of unexplained absence we can communicate with them, and for that reason we keep their names on an address-book. We must remember who we buy from, also to whom we sell, so that we can better understand future transactions with either our creditors or customers.

THIRD LESSON.

38. *January* 5.—First thing this lesson we suppose that we have received by request a thirty-day note from Miller & Bros. for the amount of their bill Jan'y 1st, less 5%. By turning to their Ledger account we get the amount of their bill, $134.85, 5% of which is $6.74, and the difference the amount of note, $128.11, or the amount we expected to get when their bill became due, that is, 30 days from date of purchase. The note would be dated same date of bill, so as to fall due same day the bill would be payable. We record the facts of this settlement in the Journal, charging *Bills Receivable* with the amount of note, and charging the 5% to *Discount*, on the supposition that we want to know how much such deductions amount to during the year; otherwise we would charge it to Mdse., which has been overcredited that much, and crediting Miller & Bros.' account by total of both, or the full amount of their bill.

39. We credit them by the amount of note, because they delivered it to us, and by the discount because we allowed it to them, two of the conditions when personal accounts are credited.

See page 30. By allowing them the discount we lose it, and for that reason debit it. The Journal entry will be made according to *Third Form*. The explanation following the Journal entry will be:

Received their note of Jan'y 1st, at 30 days, in settlement of bill, Jan'y 1, $134.85 less 5% = $6.74 = $128.11.

40. We also make an extra memorandum on Bills Receivable book, from the note itself, which would specify where it must be presented for payment, which we assume is at their office. See page 126. In fixing the date the note becomes due, three days of grace must be added. We allude to this operation as making *a memorandum*, and the record on the Journal we call making an *entry;* the difference between an *entry* and a *memorandum* is, the former is a statement of facts with reference to Debit and Credit, and the latter is a minute of the facts in the fewest words possible to be intelligible.

41. We give our note to Earle & Co. by their request, to settle their bill of Jan'y 1st, less 5%, which we would be entitled to according to terms of purchase which would be stated on bill. By turning to their Ledger account we find the amount of their bill to be $500, 5% of which is $25, and the difference the amount for which we give our note. We record the facts of this settlement in the Journal, also charging Earle & Co. with full amount of their bill, and crediting *Bills Payable* with the amount of note issued, and the 5% we credit *Discount*.

42. The note we deliver to them, and the Discount they allow us, and the two balance their account, two of the conditions under which we *debit* personal accounts. See page 30. The Discount being allowed to us, we therefore make it, and for that reason credit it.

43. We also make an extra memorandum on Bills Payable book from the note itself before parting with it, according to the facts set forth in the headings of the B. P. book. See page 127. In fixing the date of maturity add three days of grace, and assume that we made note payable at *our bank*. The Journal entry will be according to *Second Form* and explained as follows:

Gave them our note of Jan'y 1st at 29 days in settlement of bill, Jan'y 1, $500, less 5% = $25 = $475

44. We next post the two Journal entries just made, beginning with Miller & Bros. first, because theirs is the first account in the first entry to be posted. We read the double entry proposition as stated in the Journal entry—*Sundries Dr. to Miller & Bros.*—then turn to their account in the Ledger and say if sundries are debtor (which in fact they are, in first entry, and will be when posted). their account must be credited by sundries,—and make the following entry on credit side of their account:

Jan'y 5 By Sundries, 1, 134.85.

Mark this posted by placing the number of their page in the Ledger on the line with their account in the small column on the left of the entry in the Journal.

45. We dispose of the *Sundries* next, and as *Bills Receivable* is the first, we open *Bills Receivable* account on page 8 in the Ledger. We then get our double entry proposition before us again as it is in the Journal, *Sundries, Dr. to Miller & Bros.*, which means the following accounts are debtor to them, and Bills Receivable, being one of the following, is for that reason debtor to Miller & Bros. We make the following entry on debit side of Bills Receivable account:

Jan'y 5. To M. & Bros., 1, 128 11,

the initials of any account being all that is necessary in posting, but not so in original entry, where the name must be in full.

46. We open *Discount* account on page 9 in the Ledger, and dispose of it next, proceeding in the same way as in the case of Bills Receivable, pursuing the same line of reasoning, and making the same entry on the debit side except in amount. Then mark it posted.

47. Read the next Journal entry, *Earle & Co. Dr. To Sunds.* $500. Turn to their account in the Ledger and repeat the proposition from the Ledger standpoint, beginning at the top of the page, where *Earle & Co. Dr.* is already written, and supply *To Sundries* thus:

Jan'y 5. To Sundries, 1, 500.00.

Then mark it posted.

48. Open Bills Payable account half-way down page 8; then

read the Journal entry again—*Earle & Co. Dr. To Sundries*, $500, which means they are debtor to the following accounts; and as Bills Payable is one of those that follow, it means that Earle & Co. is debtor to Bills Payable for the $475 in the $500, and for that reason Bills Payable must be credited by Earle & Co. $475 thus, on the credit side:

Jan'y 5. By Earle & Co., 1, 475.00.

Mark it posted, and dispose of Discount next, turning to the account already open on page 9 in the Ledger, making the same entry on the credit side as in the case of B. P., except in amount, following the same line of reasoning.

49. We next *enter more sales* on January 5, by charging the same four customers with whom we already have accounts, beginning on page 2, in Sales-book with W. C. Browning & Co., repeating their terms and address, duplicating third entry on page 86, $201.90. Charge Miller & Bros. next, duplicating second entry on page 88, $190.40. Charge Davis & Co. next, duplicating fourth entry on page 86, $166.45. Charge J. C. Brown & Co., duplicating second entry on page 86, $137.25, completing the day's sales. Draw red lines between each entry same as before, then across the outside column, which must be added, showing total amount of sales to date, which must be carried forward to next page.

50. Then post the four entries just made in the Sales-book, making the following entry on the debit side of W. C. Browning & Co.'s account:

5 ,, ,, 3/90, 2, 201.90.

And the same in the other three, except in terms and amounts. We ditto (thus ,,) nearly everything but figures, which must be repeated. We always repeat the *day* in the Ledger, but never the month, which we *do not* even *ditto*.

50½. ***Follow order of reading No. 4 on page 6, also read pages 84 and 85 about Terms. The transactions given in the First and Second lessons are the same, as those in the Miniature Set, but in the next sixteen lessons they differ, hence cannot be traced through the forms given.***

FOURTH LESSON.

51. We reopen our daily Cash-book on January 5, by bringing down the balance on the debit side placing the figures $1718.75 in the amount column. Do not repeat *Jan'y*, but simply put 5 in the column for days, which must not be repeated with any entry made on the debit side, but opposite first entry on credit side we put 5 in the column for days on that side after which it is not to be repeated.

52. Assume that Davis & Co. pay by check their bill of January 1, less 6%, which they would be entitled to by paying within ten days. The money received we enter on debit side of Cash-book, thereby charging Cash account and crediting their account thus:

,,	Davis & Co.,	Bill Jan'y 1.	209.75.	
		Less 6% =	12.58.	197.17.

Extending the net amount $197.17 into the sundries column on the line with the discount, that is, last line used; in fact, all the money we receive must be entered in the sundries column unless received for a special account having a special column. The 6% we lose, and enter it in the Journal according to *First Form*, charging Discount because we lose it, and crediting Davis & Co. by it because we allowed it to them. Then explain thus:

Allowed them 6% dis. on bill Jan'y 1, 209.75.

53. Assume that we indorse the check just received and deposit it in *our bank*, charging the bank on the fly-leaf as before thus:

Jan'y 5. Deposited 197.17.

Placing the figures in the column at once under last balance, because there is but one check, draw a line and add, thereby charging the bank.

54. We then make out a check to the order of Sanford & Co., and give it to them in payment of their bill of January 1, $500,

less 6% which we would be entitled to by paying thus promptly. First make a memorandum on the stub as follows:

No. 2. Jan'y 5, 1888.
Sanford & Co.
Bill Jan'y 1, 500.00
Less 6%. 30.00 470.00.

When the check is gone the money is supposed to be drawn from the bank. We therefore deduct the amount from balance in bank by bringing the figures into the column on the left, under last balance, locating them on a direct line with the figures in the stub from which the check was detached, thereby preventing unnecessary crowding of the matter, and giving the bank credit, showing at a glance the present condition of the bank accounts.

55. We then credit Cash, and charge Sanford & Co. with the amount of check, by entering it on credit side of C. B. thus:

5	By Sanford & Co.,	Bill Jan'y 1,	500.00	
		Less 6% =	30.00	470.00.

The net amount must be extended into the sundries column. In fact, all the money paid out must be entered in the *Sundries* column unless paid for a special account. The 6% we gain in this settlement and enter it in the Journal, charging Sanford & Co., and crediting Discount according to *First Form*, and explain thus:

Allowed us 6% Dis. on bill Jan'y 1, 500.00

56. Any little items of expense paid in cash during the day, such as car-fare, telegrams, expressage, etc., could be jotted down roughly on a small memorandum-book, which we will call *Petty Cash* (not the kind alluded to on page 53 as *Two Cash-books unnecessary*), and at the close of the day charge the amount to Expense in the special Expense column on credit side of C. B. Thus, assuming it be $3.50 to-day.

,, Expense—see Petty Cash, 3.50.

57. Assume that W. S. Jenkins, a salesman, draws $25, part of what we owe him. We charge his account and credit Cash thus:

,, W. S. Jenkins, On account, 25.00.

Placing the figures in the Sundries column.

58. The last thing at the close of the day would be to figure up the amount of retail sales for the day, which result would be ascertained by adding the various amounts of all the memorandums of sales turned in with each cash sale during the day and kept on file until the day's work was over, and enter them in a lump, charging *Cash* and crediting *Mdse.* in the following entry on debit side of C. B.,

,, Mdse., retail Sales, 25.00,

extending the figures into the special column for *Mdse.* That would be the last entry on Cash-book every day; then we prove our *Cash.*

59. In proving the Cash each day henceforth, five questions will arise:

1st. How much cash did we have to begin with?

2d. How much have we received during the day?

3d. How much would we now have if we had not paid out any?

4th. How much have we paid out?

5th. How much have we now on hand?

The answers are as follows: We had to begin with the *balance* left over last day, and we received and added to it during the day the amounts found in the Sundries and Mdse. columns; hence we *would* have the total of all the figures on debit side for that day if we had not paid out the various amounts found in the Sundries and Expense columns on credit side, the total amount of which, when deducted from the total of the debit side, will show what we *now* have on hand, and must agree with the amount in bank, as per Check-book, and the currency in the drawer, which must be counted. See paragraph 18.

60. In counting the imaginary money in the drawer five more questions arise:

1st. How much had we in the drawer to begin with?

2d. How much have we put in the drawer during the day?

3d. How much would we have in the drawer now if we had not taken any out?

4th. How much have we taken out?

5th. How much have we still remaining therein?

The answers are as follows: We had in the drawer this morning just what we discontinued with last night, a memorandum of

which we made in *red ink* in the space for explanations in closing the Cash-book last night. And we have put into the drawer during the day the amount of retail sales and any small amounts we may have received from time to time; hence we would have in the drawer the total of all the amounts mentioned if we had not taken out for expenses the amount found in the Expense column. Also $25 for Mr. Jenkins and any other small amounts we may find on the credit side of C. B., for which we never gave a check, as the Check-book would indicate. We may also have taken money out of the drawer and deposited it in the bank, which the Check-book would also show.

61. After proving the Cash we *write up* the daily Cash (see paragraph 20), then *balance* it (see paragraph 21), then close it for the day (see paragraph 22).

62. Then post the cash transactions for the day, beginning on the debit side *as a rule* (see last part of paragraph 23). Turn to Davis & Co.'s account on page 7 in the Ledger, and credit their account by Cash, thus:

Jan'y 5, By Cash, 2, 197.17,

and mark it posted in the usual way.

63. Read the next entry on that side of C. B., thus, *Cash Dr. to Mdse.*, $25, which means *Mdse.* must be credited by *Cash* $25, but not at present, as it is in a special column, it will be credited at the end of the month in the final footing of that column; hence we pass it for the present and check it thus, (✓), showing it had not been overlooked, but considered and passed purposely.

64. We post the credit side by turning to Sanford & Co.'s account and entering on the debit side,

Jan'y 5, To Cash, 3, 470.00,

in accordance with the theory explained in paragraph 24, which see.

We read the next entry and pass it (see paragraph 25).

We read the last entry on that side of C. B. and open account with W. S. Jenkins on page 10, and charge it, by entering on Dr. side,

Jan'y 5, To Cash, 3, 25.00.

65. Read the first entry in the journal to be posted, then turn to *Discount*, page 9 in the Ledger, because that is the first account in the entry; repeat the proposition from the Ledger point of view, beginning at top of the page where *Discount Dr.* is already written, and supply *To Davis & Co.* by entering thus on debit side of *Discount*,

5 ,, Davis & Co., 1, 12.58.

Then turn to Davis & Co.'s account on page 7 and reverse the proposition thus, *Davis & Co. must be credited by Discount*, and enter on the credit side:

5 ,, Discount, 1, 12.58.

66. Read the next journal entry and turn to Sanford & Co.'s account on page 5, proceeding as in the case of *Discount* in the foregoing entry and write on the debit side of their account,

5 ,, Discount, 1, 30.00.

Then turn to *Discount* and dispose of it as in the case of Davis & Co. in last entry by writing on the credit side,

5 ,, Sanford & Co. 1, 30.00.

After making each of the four transfers from the Journal, the Ledger page must be entered on the left of each name in the Journal entry.

FIFTH LESSON.

67. Reopen the cash on January 12th also by bringing down the balance as before. We assume that Miller & Bros.' note had been offered and discounted at our bank, which means the note was given to them and that they gave us credit by its present worth. We find the present worth by calculating the discount at 6% per annum on its face value for the unexpired time, that is, the number of days between *now* and its *maturity*. We find the maturity by reference to Bills Receivable book. Discount and Interest are both figured the same way in business, although they are really different results. See Interest Rules, pages 144 and 145.

68. Passing the money to our credit is virtually giving it to us, as we can draw a check for it any time we want it. We therefore enter the money received for the note in C. B., charging cash and crediting *Bills Receivable* in this way on the debit side of C. B.:

"	Bills Receivable,	Discounted at 1st Ntl. Bk.,		
		Miller & Bros.' Note,	128.11	
		@6% for 22 days,	47	127.64

extending the net amount in the Sundries column. Then charge the bank account on stub of check thus:

Jan'y 12, Proceeds of Note, 127.64,

locating the figures in the column under last balance and adding them thereto.

69. The 6% for 22 days we lose and must enter in the Journal, charging it to Interest and crediting Bills Receivable in the *First Form* of entry, and explain thus:

6% dis. on Miller & Bros.' Note, 128.11, for unexpired time, 22 days.

The 6% is legitimately discount, but having adopted *Discount* as an account representing the percentage we deduct from the face of an open account without reference to time, we call this kind *Interest*, as it is a certain per cent per annum for a given number of days on cash values; and as it is supposed we wish to know definitely what each kind amounts to during the year, we must keep a separate account for each.

We then make an extra memorandum on Bills Receivable book in the space for remarks, as follows:

Disct[d] at 1st Natl. Bank, Jan. 12.

70. Assume that the Wright Mfg. Co. drew on us at sight for $500, part of what we owe them, and that their draft was this day presented at our office by the Ninth National Bank's messenger, to whom (the bankers) they sent it for collection. We make out a check on our bank, payable to the order of Ninth National Bank, for $500, the amount of the draft, and hand it to the messenger, first making the following memorandum on the stub from which the check will be detached:

No. 3. Jan'y 12, 1888,
Ninth National Bank,
for Sight Draft of
Wright Mfg. Co., 500.00,

deduct it from the bank as before explained, giving the bank credit; then enter it on credit side of Cash-book, charging the amount to Wright Mfg. Co., thus:

12	By	Wright Mfg. Co.,	Sight Draft,	500.00.

71. Assuming it to be Saturday night, and therefore *pay night* for the employees, we hand the porter $20, also the office-boy $7 out of the cash-drawer for two weeks' services. We charge the full amount to Expense, and credit Cash in the Expense column, thus:

,,	Expense,	Porter, 2 weeks, @ $10.00,	20.00
		Office boy, 2 weeks, @ $3.50,	7.00

substituting their names for their clerical names.

72. If, however, we had many employees, we would keep a pay roll, to show how much time was put in by each and the amount due each. The total amount of pay-roll would be entered in Cash-book and the explanation would be:

See Pay Roll.

73. If part of the employees were manufacturers, the pay roll would have to be arranged with their names together and the names of the clerical help together. The amount paid manufacturers would be charged to *Mdse.* and the balance of the pay roll to *Expense.* If only a few employees, however, no pay roll would be necessary, but the names would each appear in the C. B., in the space for explanations.

Assume that Austin Ross, another salesman, draws $25, part of what is due him, we charge his account and credit Cash, same way as in W. S. Jenkins' case on the 5th.

Assuming the day's work to be over, we must enter the retail sales, say $27.50 (see paragraph 58); then prove the cash; then *write up the daily* Cash, balance and close it for the day. See paragraphs 20, 21, 22.

74. The checks all having been torn out of first page of Check-book, we write opposite last balance,

Carried forward.

Then turn over the stubs from which the checks were detached and write on back at the top of the page,

Brought forward.

The amount of each check must be deducted on a direct line on the left with the figures in the column on the right, so that the explanation on the stub will explain the figures on both sides; furthermore, it prevents unnecessary crowding of the matter. If the space on the left is all consumed by deductions and deposits before the checks on that page are all drawn, the remaining checks must be deducted on next page, which would necessitate making this memorandum opposite the deduction,

Less check No. —.

75. On January 12 it is assumed that we buy a job lot of collars and cuffs amounting to $150 from Cluett & Son, with whom we have no account on the books, and as we are not likely to do any more business with them would not like to open a ledger account for one transaction; hence we settle for the goods by a note antedated Dec. 26, having 45 days to run. We record the transaction in the Journal, charging *Mdse.* with the amount of goods received, and crediting *Bills Payable* by the same amount for which we issued our note, according to *First Form* of Journal entry; then make the following explanation:

Gave Cluett & Son our note of Dec. 26 at
45 days in settlement of their bill on file.

Then make an extra memorandum on B. P. book.

76. If somebody with whom we have no account on the books should buy—say $100 worth of goods—of us, and give us their note in settlement, we would not make *Bills Receivable Dr. to Mdse.* in the Journal, as our Commercial College professors would say should be done, and which would be the theoretical way of doing it; but practically or in a business way we dispose of it by charging the buyer on our Sales-book, which would insure the proper credit in *Mdse.* at the end of the month as we have seen, and having charged the buyer in Sales-book would of necessity cause him to be charged in the Ledger also, but his name would be carried under the *Petit Accounts Receivable.* See *Ledger Accounts Elucidated*, pages 110 and 111. Then we would enter the note received in the Journal according to *First Form*, charging Bills Receivable and crediting the buyer, making a duplicate of entry and explanation as in paragraph 39, except in name and amount of course, and omitting discount in the explanation, and then we would make an extra memorandum on B. R. book of

the note. This method of disposing of it requires more entries, but it is the proper way to do it, for the potent reason that the buyer may want the same kind of goods again and write us to duplicate the bill, in which event we would naturally look for the matter in the Sales-book, where we keep a detailed account of all large lots of goods sold.

77. If we did not find it in the Sales-book, we would naturally conclude that it had not been entered at all, not thinking to look in the Journal, and would therefore be subjected to the embarrassing necessity of having to write to our customer to return the original bill, so we could see what kind of goods he had, as we could find no record on our books that he had ever been charged with anything. To avoid multiplicity of ledger accounts, which would give us no more ideas than we gather from a few, we will hereafter charge the same four customers with whom we already have accounts, repeating their terms and address, and endeavor to have a variety of amounts in each account.

78. We then post the day's transactions from all three books, beginning with debit side of C. B., proceeding according to the theory advanced in last part of paragraph 23.

Turn to Bills Receivable account in the Ledger, and enter on credit side

Jan'y 12 By Cash, 2. 127.64.

and mark it posted. Read the next entry and pass it for the reason stated in paragraph 63.

79. Turn to Wright Mfg. Co.'s account and enter on debit side,

Jan'y 12 To Cash, 3, 500.00.

Read next entry and pass it as explained in paragraph 25. Open Austin Ross' account in same page with W. S. Jenkins, and post it the same way in every particular. (See Appendix, question 366.)

80. Read the next Journal entry to be posted, and turn to Mdse. account and enter on the debit side

12 ,, B. P., 1. 150.00.

Then turn to Bills Payable account and say, Mdse. having been debited to B. P. $150, B. P. must be credited by Mdse. $150, and enter on the credit side

12 ,, Mdse., 1. 150.00.

Do not forget the post mark.

81. Post from the Sales-book, proceeding according to instruction in paragraph 50, entering in the four Ledger accounts the date, Sales-book folio, and amounts, *dittoing* (thus ,,) the "*To*" and "*Mdse.*," repeating the terms in each case. This would complete the work of January 12th, and the Fifth Lesson.

SIXTH LESSON.

82. *January* 15.—Reopen the daily cash by bringing down the balance. Assume that we want to use $1000 in cash to-day, which will require about all we have. In order not to be short of funds we negotiate a loan of $500 at our bank; in other words, we borrow that much from the bank, which they would be glad to accommodate us with if we were a responsible and reliable firm,—but they would require our note for the amount, deduct their percentage for the use of it, and give us credit by the *net proceeds.* The rate of percentage would be fixed according to the risk they considered they were taking in lending the money. The less the capital of the borrowers the greater the risk of the lenders, and the greater the rate of interest that would be charged.

83. Giving us credit is the same thing as if they gave us the money. We therefore enter the amount of money received for the note on the debit side of C. B., charging Cash and crediting Bills Payable thus:

,,	Bills Payable—Borrowed of 1st Nat'l		
	Bk. on our note	500.00	
	for 30 days @ 6%	2.75	497.25

We then make an extra memorandum on the stub of Check-book charging the bank with the money, thus:

Jan'y 15. Proceeds of Note. 497.25

adding the amount to last balance in bank. We also make an extra memorandum on Bills Payable book of the note given to the bank.

84. The discount, amounting to $2.75, we lose; therefore

charge it to *Interest* and credit Bills Payable in the Journal, *First Form* of entry, making the following explanation:

6% dis. on our note at 30 days in favor of First National Bank for 500.00.

85. The $2.75 being a deduction is in that sense *discount*, but being a penalty we pay for the use of the money, is in that sense *interest*. We call it discount in the explanation because it *is* discount, but charge it to *Interest* in the Journal entry because that is the name by which we identify that kind of discount. See paragraph 69. In figuring the discount on notes the three days of grace must be included, making the time of a thirty-day note really thirty-three days.

86. Assume that we receive a letter from Wright Mfg. Co., requesting us to send them $500 on account; also requesting us to pay for their account John Smith $300, and John Jones $200. First thing upon receipt of the letter in the morning, before we become busy during the day, would be to make out a check to their order for $500, and deduct it from the bank account. Fill out the stub first, thus:

No. 4 Jan'y 15, 1888.
Wright Mfg. Co.
On account, 500.00.

Tear out the check and deduct it as before. The money is virtually gone, but not yet entered, and will not be until we have made the other two payments for them, which would be done whenever the parties call for it. Suppose that John Smith calls for his about noon. We make out a check to his order for $300, first making memorandum on the stub thus:

No. 5. Jan'y 15, 1888.
John Smith,
On account of
Wright Mfg. Co., 300.00.

Tear out the check and give it to him, and deduct it from bank account at once, but do not enter it yet, as we know there is another payment to be made, but not certain it will be made to-day. We leave the matter open until the close of the day, until we find out. About 2 o'clock in the afternoon, just before time for depositing, we suppose John Jones calls for his money. We

give him a check for $200, payable to his order, making same kind of memorandum on stub as in case of John Smith, and deducting it from bank account to see how much we have left.

The day's work being now far advanced towards the close, and knowing of no other payments to be made for the same account as the last three, we enter the amount of all the checks drawn during the day in the Cash-book in one sum, charging the Wright Mfg. Co. and crediting Cash by entering thus on credit side of C. B.:

15	By Wright Mfg. Co.—Check,		500.00	
		John Smith,	300.00	
		John Jones,	200.00	1000.00

extending the total into the Sundries column, thereby having but one amount to post instead of three we otherwise would have by entering each check soon as drawn. It is not at all necessary to enter checks in the order they are drawn, but those given for the same account must be entered together.

87. Enter the retail sales for the day, charging Cash and crediting Mdse. as usual,—say $32.50, also enter the expense for the day from Petty Cash book, say $4.75, charging Expense and crediting Cash, which would end the day's work. Then prove the cash, write up the daily cash, balance and close it as explained in paragraphs 20, 21, 22, 59 and 60.

88. Assume that J. C. Brown & Co. return by express 1 doz. No. 2 Shirts which are damaged. We enter it in the Journal, *First Form*, charging Mdse. and crediting their account by the amount they were charged for the shirts, which would be found by reference to the Sales-book, and explain thus:

For 1 doz. No. 2 Shirts returned damaged.

89. Assume that Davis & Co. write to us declining to credit us for *case and cartage* charged to them on last three bills, which by reference to the Sales-book we find amount to $4. We credit their account and charge Mdse. with the claim which we allow, in the Journal, *First Form*, and explain:

Allowed them for Case and Cartage on bills
January 1 $1.50, 5th $1.25, 12th $1.25.

Notwithstanding first bill has been paid, including the $1.50, it would be deducted from next settlement. (See Appendix, question 387.)

90. Post the entries of this date, beginning with the debit side of Cash-book, proceeding as explained in paragraph 23, by reading first entry on that side. We turn to Bills Payable account in the Ledger, page 8, and enter on Credit side,

15 ,, Cash, 2, 497.25

Read the next entry and pass it (see paragraph 63). Read the first entry on credit side (see paragraph 26); then turn to Wright Mfg. Co.'s account, page 4 in the Ledger, and enter on the debit side,

15 ,, ,, 3, 1000.00.

Read the next entry and pass it (see paragraph 25).*

Read the next Journal entry to be posted, and turn to Mdse. and enter on debit side,

15 ,, J. C. B. & Co., 2, 11.00.

Then turn to J. C. Brown & Co.'s account, page 6, and enter on credit side,

Jan'y 15 By Mdse., 2, 11.00.

91. In the first entry on the credit side of every account we write "*By*," and each subsequent entry on that side we *ditto* the "*By*," thus (,,). In the first entry on the debit side of every account we write "*To*," and *ditto* it the same way in each subsequent entry on that side. Always repeat *dates* and *folios*.

92. Read the next Journal entry and turn to Mdse. account again, and enter on debit side,

15 ,, D. & Co., 2, 4.00.

Then turn to Davis & Co.'s account and enter on credit side,

15 ,, Mdse., 2, 4.00.

This would complete the day's work, without entering anything on Sales-book.

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* Read first Journal entry to be posted and turn to *Interest*, page 9, and enter on the debit side thus,

15 " B. P. 1, 2.75.

Then turn to *Bills Payable*, page 8, and enter on the credit side thus,

15 " Int. 1, 2.75.

SEVENTH LESSON.

93. *January* 18.—Assume that we receive a letter from J. C. Brown & Co. enclosing their note at 60 days for $220.32, to settle their bill of January 1, less goods returned, also less 4% dis. Also by the same mail a letter from W. C. Browning & Co., enclosing their note at 90 days for $211.22, to settle their bill of January 1, less 3%. We first turn to J. B. & Co.'s account in the Ledger to see the amount of their bill, also what amount of goods they had returned. Calculate the 4% on the difference, and find it will be $9.18, and the amount of their note to be correct as stated. Returned goods should be credited at the price they were charged, and at time of settlement of *any* bill deducted from the face before the discount is deducted; if deducted from the net amount of the bill, that is, after discount is taken off, we would lose the discount on the return goods; in other words, we must not consider credit items at the *long* or gross price and debits at *net* figures. This is an important matter to be remembered, as many picayune merchants often try to take that advantage in making their remittances, and unless the book-keeper is on the *qui vive* much loss could be incurred during the year. We do not enter it until we have also audited W. C. B. & Co.'s account in the same way, calculating the 3% dis., which we find to be $6.53, and the amount of their note correct also as stated; we then make a record of both settlements in the Journal at one time, charging Discount $15.71, entering both items one above the other in the order of addition just after the name, extending the total into first column and charging Bills Receivable with total of both notes, $431.54, giving the amount of each, one above the other in the same order, extending the total into first column, and crediting J. C. Brown & Co. $229.50, the amount of their note and the 4%, also crediting W. C. Browning & Co. $217.75, the amount of their note and the 3%.

94. This would require an entry of the *Fourth Form*, as we have two debtors and two creditors. We state the debtors first,

giving Bills Receivable the preference of first location, because it is the larger of the two; then write J. C. Brown & Co. in the position of the first credit account in the entry, making the following explanation after their name before entering the other creditor:

Received their note of Jan'y 1st at 60 days in settle ment of bill Jan'y 1st, 240.50, less goods returned 11.00 = 229.50, less 4% dis. = 9.18 = 220.32.

Then enter W. C. Browning & Co·'s name in the same way, making the following explanation after their name:

Received their note of Jan'y 1st at 90 days in settlement of bill Jan'y 1st, 217.75, less 3% dis. = 6.53 = 211.22.

It requires an explanation after each, because the details as to figures are different. We make an extra memorandum on Bills Receivable book of the two notes received.

95. We then transfer J. C. Brown & Co.'s note for $220.32 to Wright Mfg. Co. in part settlement of our indebtedness to them, charging their account with its present worth at the rate of 6% dis. for the time the note has yet to run. We refer to the B. R. book to see when the note falls due, and count the actual number of days between *now* and *then*, which we find is (13 more days in January and 29 in February (leap year) and four in March) 46 days. The interest on $220.32 @ 6% per annum is $1.68, which, deducted from face value of note, $220.32, shows its present worth to be $218.64.

96. We make a record of having transferred the note to them in the Journal, *Third Form*, charging their account $218.64, and charging *Interest* account $1.68 because we lose it, and crediting *Bills Receivable* account by the full amount of the note given out. Make the following explanation:

Transferred and charged to them on account J. C. Brown & Co.'s note 220.32 less 6% dis. = 1.68 = 218.64, for unexpired time 46 days.

Also make the following memorandum on Bills Receivable book in the space for remarks:

Transf'd to W. Mfg. Co. Jan'y 18.

97. Assume that we have an invoice of goods for $1500 from Wright Mfg. Co., also an invoice for $500 each from Earle & Co.

and Sanford & Co., all of which have been properly checked and OK'd by the receiving-clerk, which would signify that the goods were in store. We also have marked them OK as to extensions and amounts, hence we owe them that much. We record the facts in the Journal, duplicating first entry in the Journal except in amounts, making the same explanation.

98. Assume that the Wright Mfg. Co., to whom we are now largely indebted, draw on us at 10 days' sight for $250, and that their draft was this day presented at our office by the Ninth National Bank, to whom they sent it for collection. We would accept it by writing across the face in red ink:

> Accepted, Jan'y 18th 1888.
> Payable at the First National Bank.
> P. A. Wright & Co.

(or the firm's name, whatever it may be, in place of P. A. Wright & Co.) We then hand it back to the messenger who presented it, which was virtually delivering it to Wright Mfg. Co. through their authorized agency. The facts we record in the Journal, *First Form*, charging Wright Mfg. Co. and crediting Bills Payable; explaining thus:

> For their draft on us at 10 days' sight,
> which we this day accepted on account.

We make a memorandum on Bills Payable book also, and in the space for *time* we write 10*d/s*, which would distinguish it from an ordinary note. (Read TENTH AFTERTHOUGHT, page 354.)

99. In accepting a draft the firm name must be written by a member of the firm, as the book-keeper would not be permitted to sign the firm name either to a note, acceptance, or check,—in fact, to any obligation that would be binding on the firm, without he has the *power of attorney*, a written authority given to him to act for the firm. He can of course sign the firm name to a receipt for money, or anything delivered to him in the interest of the firm. He can also indorse checks for deposit in bank, as the bank's *receiving teller* is not supposed to know the firm's signature; furthermore it would be presumed to be right, as nobody would be likely to place money at the credit of another unless it *was* right, as it could in no wise benefit him, as the money

could be drawn only by presenting a check at bank signed by the authentic firm name, which would be known by the bank's *paying teller*. He could not indorse a check in the firm's name for the purpose of cashing it, however, a forcible example of the manner in which *circumstances alter cases.*

100. The first deposit in bank must be made by a member of the firm, who is required to leave the *firm's signature;* that is to say, he will write in a large register (kept by the bank, containing signatures of every depositor) the firm name as it must always be written on checks, which if otherwise signed would not be paid.

101. Having no more entries for this day, we post those already made. Read the first entry on the Journal to be posted—*Sundries Dr. to Sundries*—then turn to Bills Receivable account, as it is the first in the entry (see page 35), and reason thus: *Sundries debtor to Sundries* means, the following accounts on the left are debtors to *Sundries*, that is, to the other accounts following on the right of the entry; and as Bills Receivable is one of those following on the left, it is therefore debtor to those on the right; but in place of writing each one of them in posting we write *Sundries*, which includes both. Hence we enter on the debit side of *Bills Receivable* account,

18 ,, Sundries, 2, 431.54.

Turn to *Discount*, and reason the same way from the *Discount* standpoint, and enter on the debit side,

18 ,, Sundries, 2, 15.71.

102. J. C. Brown & Co's. account is the next we turn to, and reason thus: As the two accounts on the left referred to as *Sundries* are debtor to those under the word *Sundries*, on the right, which includes them, their account is for that reason to be credited by those on the left; but in place of writing each one of these names on the left in posting we write *Sundries* which includes both. Hence we enter on the credit side of their account now under consideration,

18 ,, Sundries, 2, 229.50.

Turn to W. C. Browning & Co's. account and pursue the same line of reasoning, crediting it the same way,

Jan'y 18 By Sundries, 2, 217.75.

103. Read the next entry and turn to Bills Receivable account again, as it is the first in that entry, and reason as in the case of Miller & Bros., paragraph 44, and enter on the credit side,

18 ,, Sundries, 2, 220.32.

Next account in the entry is Wright Mfg. Co., which we dispose of the same as in the case of Bills Receivable in paragraph 45, and for the same reason entering on the debit side of their account,

18 ,, B. R. 2, 218.64.

We dispose of *Interest* account next, as explained in the case of Bills Receivable just cited, entering on the debit side,

18 ,, B. R. 2, 1.68.

Read the next entry, and post it, same as explained in paragraphs 29, 30, using the ditto („) marks as substitutes for each word in the transfer.

Wright Mfg. Co. is the first account in the next entry, and it is disposed of by entering on the debit side,

18 ,, B. P. 2, 250.00,

As explained in paragraph 65 in the case of Discount.

Bills Payable is disposed of next by being credited thus,

18 ,, W. Mfg, Co. 2, 250.00,

Same as it was disposed of in paragraph 80.

EIGHTH LESSON.

104. *January* 20.—Assume that P. A. Wright puts $500 more cash into the business, with the understanding that he is to be allowed 6% per annum for the use of it. We charge Cash, and credit his account same as before, and in the space for explanations we write,

Additional Investment.

105. Assume that Miller & Bros., in order to avail themselves of our largest discount, which is 6% for 10 days or prompt cash, requested us to draw on them at sight *four* days ago for amount of their bill of January 5, $190.40 less 6%; we would have made a draft therefore for $178.98 (for form of draft see page 137), and sent it to the First National Bank in St. Louis, enclosing it in a letter addressed to the cashier like the one on page 132, thereby constituting him our agent to collect the money. He would have received it two days later, and presented it at Miller & Bros.' office and received the amount drawn for, $178.98; but he could not attend to our collecting for nothing, and would deduct 50 cents, called exchange, from the money and sent us his check on a New York bank, which would be *exchange on New York* for the balance, $178.48, which we would have this day received, it having required at least four days from the time we made the draft until we received returns. No entry was made on making the draft (see answer to question 158 in Appendix), but on receipt of the money we make an entry in the Cash-book charging Cash and crediting Miller & Bros., because the money was received from them, although in an indirect way. Hence our entry would be on the debit side of C. B. thus:

,, Miller & Bros.—Bill Jan'y 5th, 190.40
Less 6% 11.42=178.98
Less Exchange, 50=178.48

If the draft had been for a large amount the bank would have charged $\frac{1}{10}$ of 1%. The discount and exchange must also receive our attention later.

106. The entry first made on C. B. will probably fill that page. If so, we draw a red line across all the columns, and add them below the line in black ink, and on same line with footings write in red ink,

Amounts carried forward,

and on first line on next page write in red ink,

Amounts brought forward,

putting the figures in red ink also. Head both sides of the Cash-book as before, also all the columns, and on the first line below the writing in red ink, we repeat *Jan'y* 20.

107. We assume that Davis & Co. also requested us to draw on them at sight, four days ago for their bill of *Jan'y* 5, $166.45 less 6%. We would have drawn for $156.47, proceeding in the same way as in the case of Miller & Bros., by sending the draft to cashier of First National Bank, Cincinnati, and received returns this day for amount drawn for, less 50 cents exchange, which we would enter on the debit side of Cash-book, charging Cash and crediting Davis & Co., in the following manner:

,,	Davis & Co.	Bill Jan'y 5	166,45	
		Less 6% =	9.98 =	156.47
		Less Exchange		50 = 155.97

The items of Discount and Exchange would be disposed of last thing in the evening or first thing next morning, whereby we would be enabled to include in the same entry all other items of differences arising in the cash settlements on that day. It is by being thus methodical as to the time of attending to those matters that we do not forget them, otherwise they escape our attention for the time being, as there is no check-mark admissible showing they have been properly disposed of. If perchance they should be overlooked, we discover it later in settling the account, which could not balance by that much, and enter it under the date of discovery.

108. In looking over our Cash-book for this day we find two items of Discount and two items of Exchange arising in the settlements with Miller & Bros. and Davis & Co., which we will enter in the Journal according to *Fourth Form*. We charge *Discount* $21.40, and if we wish to know how much our out-of-town collecting costs us in a year, we must have an account to represent it; hence we create a new account called *Exchange*, which we will charge with the two items of that name, placing one above the other, in the order of addition; also Discount same order, extending the total into first column. We credit Miller & Bros. by both the Discount and Exchange in their case, also Davis & Co. by the two items in their case.

109. After Miller & Bros.' name in the entry we make the following explanation:

Allowed them 6% dis. on bill Jan'y 5, 190.40
= 11.42, also Exchange for collecting, 50c.

Also the same memorandum after Davis & Co.'s name except in figures, which in their case are different.

We deposit the three checks received to-day, making the same kind of memorandum on Check-book as we did with the first deposit, except in the figures, which are different, but must be arranged in like manner. We make but one deposit each day, which would be deferred until about 2.30 P.M. so as to include all the checks that come in during the day.

110. Suppose J. K. Pine has sent us C.O.D., pursuant to our order, $150 worth of goods. We make out a check to his order for the amount, first making the following memorandum on stub:

No. 7. Jan'y 20, 1888.
J. K. Pine.
Bill on file 150.00

We deduct the amount from bank-account and enter it on credit side of Cash-book, crediting *Cash* and charging it to *Mdse.* thus:

20 By Mdse. J. K. Pine's bill, 150.00

If we sell goods C.O.D. and it would require several days to get returns, we would charge the buyer on the Sales-book same as a regular customer, and post his name under *Petit Accounts Receivable.* See pages 110 and 111. If we were doing an extensive C.O.D. business, we would have a C.O.D. account, and manage it same as *Petit Accounts Receivable.* If we expect returns same day for the goods, we make a memorandum (See Memorandum-book, page 128) until we get the money, and enter it as a cash sale in the special Mdse. column in Cash-book.

Suppose we hand P. A. Wright $50 out of the cash-drawer, we charge it to his account and credit *Cash*, thus:

,, P. A. Wright To himself, 50.00.

If the money had been handed to another person for him, or he had instructed us to pay a personal bill that may have been presented against him, we would charge his account the same way, substituting the name of the person in place of "*To himself.*" Not to do so would be a bad omission, for if the space was left blank the entry would likely come up for dispute in the future when the circumstances had been forgotten, and the

cashier could never satisfy him that he had paid the money either to him or for him.

111. We enter the amount paid for expenses during the day as per Petty Cash-book, crediting cash and charging Expense—say $4.25—as we did before. Also enter the retail sales, charging Cash and crediting Mdse. as usual, say $42.50.

112. Suppose the Wright Mfg. Co. have returned the note of J. C. Brown & Co. which we transferred to them January 18, stating they could not use it to advantage. We must therefore make a counter entry to the one we made on the 18th, crediting their account by the amount we charged them for the note, and crediting *Interest* with same amount it was charged with before, because in this case we recover that which we then considered lost, and charge Bills Receivable with the amount of the note, which will require an entry in the Journal, *Second Form;* then make the following explanation:

> For J. C. Brown & Co.'s Note 220.32, which we transferred to them on $^{a}/_{o}$ Jan'y 18, returned to us.

Then duplicate the original memorandum on Bills Receivable book that was made when the note was first received.

113. Assuming that we have received another lot of goods from the Wright Mfg. Co. amounting to $500.00, also the same amount each from Sanford & Co. and Earl & Co., we dispose of it in every way the same as we did in the other two instances of the same kind.

114. If in posting the entries of this date, we are bothered to know how to proceed, refer to previous entries of the same kind and dispose of them the same way, entering the date on the Ledger in every transfer made to it, also the folio of the book from which it was made, *dittoing* all other words if they are the same as those used in the last transfer.

115. There is a new account to be opened for *Exchange*, which we locate near the bottom of page 9, on which the Discount and the Interest account have been opened, repeating the *Dr.* on the left and *Cr.* on the right. It will be debited same as Discount (see paragraph 101).

116. In the first entry in every account on the Ledger on both

sides, in fact the first entry in every book, the year and the month must both be given, but neither must be repeated on the same page. Each succeeding month and year must also be stated on all the books and in every Ledger account.

NINTH LESSON.

117. *January* 26.—Suppose that we have received by the same mail a remittance from J. C. Brown & Co. and W. C. Browning & Co. to settle their bills of January 5, less 6%, W. C. Browning & Co. having included in their check $100 which they request us to hand to Dougan & Co. for their account. We turn to each of their accounts in the Ledger to see the amount of their bills, and find the former's to be $137.25, 6% of which is $8.23, and their check would be $129.02. The latter's bill we find to be $201.90, 6% of which is $12.11, and their check would be $289.79, providing they had remitted correctly. We enter each check on the debit side of Cash-book, crediting each firm by its respective check, making same kind of explanation after J. C. Brown & Co.'s entry as in the case of Davis & Co., paragraph 52; but in W. C. Browning & Co.'s case the entry and explanation would be as follows:

„	W. C. Browning & Co.,	Bill, Jan. 5,	201.90
		Less 6%,	12.11 = 189.79
		For Dougan & Co.,	= 100.00 = 289.79

Many book-keepers would have entered only the money belonging to us, omitting the last line in the explanation, taking no notice of the $100 for Dougan & Co. further than to hand them the money, which would be decidedly incorrect, as our books should show the full transaction, and the full amount received from any firm should appear in their account. When we pay the money to Dougan & Co. we will charge W. C. B. & Co. with it.

118. The two items of 6% we lose, and, therefore, charge the total to Discount $20.34, and credit J. C. Brown & Co. by the item allowed them, $8.23, and W. C. Browning & Co. by $12.11,

for the same reason requiring a Journal entry of *Second Form*, making an explanation after each firm's name, like the one in Davis & Co.'s case, paragraph 52.

We deposit the two checks in bank, making a duplicate of the memorandum that was made in the other cases where two checks were deposited.

119. We pay by check both Sanford & Co. and Earle & Co. the amount of their bills of January 18, less 6%. Each bill being $500, we therefore make out a check for each firm for $470, first making memorandum on each stub, like the one in paragraph 54; then enter them both on credit side of C. B., crediting Cash and charging their account in the same kind of entry and explanation for each as in the case of Sanford & Co., paragraph 55.

120. The 6% we make, and credit Discount by the amount of both items, $60, charging Earl & Co. and Sanford & Co. $30 each, because they each allowed us the same, requiring an entry of *Third Form* and but one explanation after both names, like the one in Sanford & Co.'s case, paragraph 55. One explanation will do for both, because the details are in every particular the same; if the bills had been of different dates or different amounts, or the discount had been different, two explanations, one after each firm's name, would have been necessary for clearness.

121. We hand Dougan & Co. $100 *out of the Cash-drawer* and charge it to W. C. Browning & Co., on credit side of C. B., thus:

,, W. C. Browning & Co., Dougan & Co., 100.00.

We also hand the porter and office-boy their pay for two weeks and charge it to Expense (see paragraph 71), also entering the amount of petty expenses for the day by writing in explanation column,

See Petty Cash-book, 3.75,

without repeating Expense *or dittoing it.*

Enter the retail sales for the day, charging Cash and crediting Mdse., say $47.50.

122. Assume that we drew on Miller & Bros. four days ago, by their permission, at 15 days' sight, for $100 on account, and that we have this day been advised by the bank we sent it to for

collection that they accepted it on the 24th. We record the facts in the Journal, *First Form*, charging Bills Receivable and crediting Miller & Bros., after which we explain thus,

For our draft on them at 15 days' sight,
which they accepted on the 24th on account.

We also make an extra memorandum on Bills Receivable book, stating the time, (Read TENTH AFTERTHOUGHT, page 354.)

15 d/s,

for the reason before explained, and in the space for remarks we make a pencil memorandum, thus,

In the hands of First National Bank, St. Louis, for collection,

so as not to lose sight of it.

123. Make four more entries on the Sales-book, charging the same four customers: W. C. Browning & Co., $121.85, duplicating Miller & Bros'. first bill; Davis & Co., $175.90, duplicating W. C. Browning & Co.'s bill of 5th; Miller & Bros., $124.25, duplicating J. C. Brown & Co.'s bill of 5th; J. C. Brown & Co., $140.45, duplicating Davis & Co.'s bill of 5th, omitting the item for No. 4 Shirts in each. Repeat their terms and address.

Post from all three books, according to suggestion in paragraph 114.

TENTH LESSON.

124. *January* 31.—Reopen the daily Cash-book. Assume that we received a check from Davis & Co. for $100 on account. We would enter it on debit side of C. B., crediting their account, and the explanation would be simply,

On Account.

Deposit the check in bank and add it to the bank account.

125. By referring to our Bills Payable book, which we should do every day, we notice our acceptance of $250 is due to-day, and being payable at *our bank*, it would be presented there and paid by the bank, with our funds on deposit there; hence we must

give the bank credit by the amount of the acceptance by making the following memorandum on same side where we enter deposits:

Jan'y 31, Less acceptance due to-day, 250.

"Less" always means *to be deducted.*

126. We credit Cash and charge Bills Payable account because we receive our note in exchange for cash, hence the following entry on credit side of C. B.,

31. By Bills Payable, Acceptance due to-day, $250.

127. We start Austin Ross on the road as travelling salesman, and give him $200 in cash to pay his expenses. We give him $100 out of the drawer and a check for $100. The advantage in giving him a check for part of the money is in the fact that the check would not be used until he had used all the ready money he had, which would last him two weeks or more and carry him far out West, when he could then cash the check with some of our customers by presenting proper credentials, showing he was our agent. During that time the money would be in bank at our credit and subject to our use. At the time of making out the check we deducted it from the bank account to keep it straight. We could, therefore, apparently *overdraw* our bank account $100 and yet not be overdrawn.

128. We credit Cash and charge $200 to *Austin Ross' Travelling Account*, which will be a new account, meaning our money in his hands for travelling expense purposes. In the space for explanation we write,

		100.00	100.00
" A. Ross, Trav. Acct.,	Check,		Currency,

placing the figures directly over each word, and extend the total into the Sundries column. If he required more money during the trip, we send it to him and charge same account, and upon his return it would be an easy matter to find out how much had been sent to him to be accounted for, by having such an account.

129. It would be wrong to charge it to the account already opened in his name, which would mean *his* money; besides, it would reduce the credit of interest he would be entitled to on

whatever average balance there may be at his credit upon closing our books at the end of the year.

130. Enter the expense for the day as per Petty Cash book, crediting Cash and charging Expense, say $4.25.

Also enter the retail sales for the day, charging Cash and crediting Mdse., say $52.50. Prove the cash balance and close it as before.

131. Being at the end of the month, it is assumed that we have *balanced* and *closed* the *daily Cash-book* every day during the month. Hence we must lay it aside, as it were, by disregarding the figures in the Amount columns, and take up the monthly cash and see how much we have received during the entire month, by adding Mdse. and Sundries column on debit side, on *proof sheet.* Also see how much we have paid out during the month, by adding the Expense and Sundries column on credit side, noting the result on *proof sheet*, and if all the additions are right the difference between the debit and the credit side will agree with our last daily balance.

132. We close the monthly cash by producing the line that extends across main part of the book across the *Mdse.* and *Expense* columns only; the footing of the Mdse. and Expense column on next line are extended into the two Sundries columns on the same line; then we rule across the two Sundries columns on that line and add each below the line, also extending it into the Amount columns, which we balance thus in red ink:

	,, Balance—Carried to Feb'y 1st.			337.07

Then rule a single line across the Amount column on both sides on same line with the balance, and on the next line draw a double red line from the Month column on each side across the page, thereby closing the book in its entirety.

133. We explain the footings of the *Mdse.* and *Sundries* columns on the debit side in the following manner:

1/31	To Mdse.	Total Retail Sales	227.50	227.50
	,, Sundries.	Total Receipts		4402.82

The figures on the line with retail sales we identify in posting as

Mdse., and the final footing of Sundries column we identify as *Cash.*

134. We explain the footings of the *Expense* and *Sundries* columns on the credit side in the following entries:

1/31	By Expense.	Total Cash Expense	110.75	110.75
	,, Sundries.	Total Disbursements		4065.75

We identify the figures in the Expense column as *Expense*, and the final footing of the Sundries column we identify as *Cash* also in posting.

The figures 1/31 in the date column mean from the *first to the thirty-first.*

135. In posting the Cash for the 31st we have to open a new account in the Ledger called *A. Ross' Travelling Account*, and enter on the debit side thus:

Jan'y 31, To Cash, 5, 200.00

We also have our first entry on the debit side of Bills Payable account under this date, as it is the first note we have paid; hence this entry:

Jan'y 31, To Cash, 5, 250.00

136. The footings of the *Mdse.*, *Expense* and *Sundries* columns must also be posted. We credit Mdse. account in the Ledger by its footing, thus:

Jan'y 1/31, By Cash, 4, 227.50

We then open Cash account in the Ledger on page 2, and carry the footing of the Sundries column on the left to the debit side of the Cash account, thus:

Jan'y 1/31, To Sundries, 4, 4402.82

137. Open an account for *Expense* on page 2 in the Ledger also, and post the footing of that column on the debit side of the Expense account, thus:

Jan'y 1/31, To Cash, 5, 110.75,

and the footing of the Sundries column on the right we carry to the credit side of the Cash account, thus:

Jan'y 1/31, By Sundries, 5, 4065.75.

138. We make a charge against Davis & Co. on Sales-book under this date to close it for the month; duplicate next to the last entry on page 89, omitting case and cartage, $1.25, as they decline to pay it, $213.25. Rule a red line on next line below the entry, terminating at the first column. Being at the end of the month, we draw a line across the outside column on the same line with last amount, add that column on next line, and opposite the final footing write, (see question 438 in Appendix,)

Total Sales in January.

Then on next line draw a double red line across the page, beginning under the word "total," simply as a matter of underscoring the remarks.

We post the final footing of Sales-book on the credit side of *Mdse.* in this way:

1/31 ,, Sundries, 5, 2274.55.

139. On the last day of each month we make an entry in the Journal, *Second Form*, crediting the two clerks with whom we have a Ledger account by their services, $100 each, also crediting the landlord (J. W. Carpenter) with one month's rent of store, $125, on the supposition that we pay him quarterly, and charge the whole amount of the three credits to Expense, $325. After the two clerks' names we make the following explanation,

For services rendered in Jan'y as per agreement;

then enter the landlord's name, after which explain as follows:

Rent of Store for Jan'y as per lease.

Draw a double red line across the page from the month to the first column on the right, which would close the Journal for the month. Journal columns are never added unless there are special columns or in making four-column Trial Balance.

140. When we agree to give a person anything we credit their

account by it; but when we actually give it to them we charge their account with it. In a bookkeeping sense, therefore, *agreeing to do* anything is just the reverse of *doing* it. For example take the case of W. S. Jenkins, whom we agreed to give $100 per month for his services, and for that reason we credited his account with $100; but as we gave it to him from time to time his account was charged with it. Hence bookkeeping sense and common sense are in this case, as in many others, greatly at variance.

ELEVENTH LESSON.

141. Having closed the three books of original entry and carried the results into the Ledger, as must be done every month, we will now make our first Trial Balance, *usual form*, for an explanation of which see pages 90 and 91.

We first go through the Ledger and make the pencil figures showing the condition of each account, according to instruction for making *Trial Balance*, pages 90 and 91; then go through it again, transferring the results to the *Trial Balance Sheet* in ink; and if it does not *balance* we find the error according to the rules on page 49.

142. If you do not find the error after applying all the rules the second time, you can compare your figures to those in the following *Trial Balance*, which will show the condition of all the accounts if you have made your entries correctly.

We never made a transposition of figures in our twenty years' experience. They are errors very hard to find, but of exceedingly rare occurrence; hence the rules usually advanced by theoretical book-keepers for finding errors are not very practicable. The phrase "Red Ink promises," descanted upon by an obscure writer, and which you may sometimes be asked about, is veritable bosh; a solecism indigenous to and emanating from a small country town in the West, and has no general meaning.

TRIAL BALANCE, JANUARY 31ST, 1888.

P. A. Wright.		1450.00
—— ——- (name of junior partner).		1000.00
Office Furniture.	245.00	
Mdse.	3812.95	
Wright Mfg. Co.		1250.00
Earle & Co.		500.00
Sanford & Co.		500.00
Miller & Bros.	24.25	
J. C. Brown & Co.	140.45	
W. C. Browning & Co.	121.85	
Davis & Co.	285.15	
Bills Receivable.	531.54	
Bills Payable.		1125.00
Discount.		38.23
Interest.	3.22	
Exchange.	1.00	
Expense.	435.75	
W. S. Jenkins.		75.00
A. Ross.		75.00
J. W. Carpenter.		125.00
A. Ross Travelling $.	200.00	
Cash.	337.07	
	6138.23	6138.23

TWELFTH LESSON.

Head the Journal NEW YORK, FEBRUARY 1st, 1888.

143. In this our second month's business, we introduce a four-column Journal by ruling two special columns in an ordinary Journal, one for *Mdse. Dr.*, and the other for Wright Mfg. Co., Cr. For a full description of a four-column Journal, its use and advantages, see pages 77 and 78.

144. The entries we make this month will be made on the same principles that they were made last month; the only difference being the figures will be located in different columns as the case may require. We are not deviating from our routine already established, but we are developing it as our business increases.

145. Suppose we receive $2000 worth of goods from Wright

Mfg. Co.; $500 each from Earle & Co. and Sanford & Co., whose bills have all been examined and OK'd as before explained. We would enter them in the Journal, charging Mdse. with the total $3000, in its special debit column. Credit Wright Mfg. Co., $2000 in their special credit column, and credit Sanford & Co., also Earl & Co., in the Sundries credit column, requiring an entry of the *Second Form;* after which we explain as usual,

As per bills on file.

146. We also introduce two more special columns in the Cash-book this month,—that is, the two Discount columns. The one on the debit side of Cash-book being for discount we allow our customers and therefore lose, and for that reason it will be a *Discount Dr.* column; the one on the credit side of C. B. is for discount allowed us for prompt cash settlements, and therefore we make it, and for that reason it will be a *Discount Cr.* column.

147. Instead of making Journal entries for the discount arising on all cash transactions as we did last month, it will be disposed of by being entered in the two special columns in C. B., thereby saving many Journal entries, a great deal of posting, and much valuable Ledger space.

148. The figures in the Discount column, on either side, do not affect the Cash in any way (see answer to question 98, in Appendix), but are really innovations in the Cash-book which greatly simplify the matter, and facilitate our work: for further explanations in relation to them, see pages 52, 53.

149. In reopening the Cash-book, February 1, 1888, we head it same as last month; also head the columns, which will in every way conform to our miniature Cash-book, pages 64 and 65. We begin on first line on debit side thus,

Feb'y 1, To Balance, From Jan'y 31, 337.07.

locating the figures in the Amount column. To place them in the Sundries column would be wrong, as the footing of that column each month will show the amount of money received during the month, and the balance brought forward from last month

could not be regarded as money *received* this month; hence it must be kept apart from the receipts.

150. Assume that W. C. Browning & Co. pay by check their bill of 26th ult., $121.85, less 6%. We record the whole settlement in the Cash-book, charging *Cash* with the amount of check received, charging *Discount* with the 6% which we lost, and crediting their account by total of both by entering on the debit side of C. B. as follows:

„	W. C. Browning & Co.,	Jan'y 26,	121.85	7.31	114.54.

In space for explanations we write *Jan'y* 26, $121.85, which means they paid that bill. We place the $7.31 in the Discount column, which means *less that much discount*, and the difference in the Sundries column, which means *the amount they paid.*

151. Assume that J. C. Brown & Co. also pay by check their bill of 26th ult., $140.45, less 6%, $8.42. We dispose of it in every way the same.

We deposit the two checks in bank, charging the bank account as usual.

152. As fast as money accumulates on our hands we use it to the best advantage in paying bills not yet due, and thereby avail ourselves of a larger rate of discount than we would be allowed by deferring payment, and in so doing we offset the discount we lose by the rapid accumulation of unsolicited funds.

153. We therefore make out a check to the order of Earle & Co. for $470 in payment of their bill of 20th ult., $500 less 6%, first making the necessary memorandum on the stub from which the check will be torn, as usual, and deduct it from the last balance in bank.

154. We record this whole transaction in the *Cash-book*, crediting Cash by the amount of check given, crediting *Discount* by the 6% made, and charging the total of both to Earle & Co., in the following entry on the credit side of C. B.:

Feb'y 1,	By Earle & Co.,	Jan'y 20,	500.00	30.00	470.00.

Arranging the explanations, the Discount and Cash figures on the same principles just explained in connection with the entries on the debit side.

155. Suppose our cartman brings in his bill for cartage for last month, an account of which he has kept on a small pass-book which has been checked and OK'd by our shipping-clerk, who would also have an account of the number of loads hauled by the cartman, also where they were delivered, making it an easy matter for him to pass upon the correctness of the cartman's account; after which it would be presented to and paid by the cashier, out of the drawer money. We credit *Cash* and charge *Mdse.* on the credit side of C. B., thus,

,, Mdse., Cartage for Jan'y, 7.50.

placing the figures in the Sundries column, because we have no special column for *Mdse.* on that side.

156. The student would naturally conclude that it should be charged to *Expense* and not *Mdse.*, but when reminded of the fact that the cartage, just paid for was charged to our customers on the bottom of their bill (*Case and Cartage*), and was credited in the *Mdse.* at the end of the month in the footing of the outside column, which included the cartage, they can readily understand why *Mdse.* should be charged with its cost, as it has been benefited by its incurrence. If it had not been charged to our customers and thereby sold, as it were, the cost of carting would be an expense. In fact the number of loads hauled that we had not charged our customers for should be charged to Expense anyway, to be just with the *Mdse.* account.

157. Suppose we receive a case of goods from the Wright Mfg. Co. on which there is $1.50 freightage and 40 cents cartage, which we pay out of the cash drawer to the Transportation Co.'s cartman. We credit *Cash* and charge *Expense*, by making the following entry on the credit side of C. B.:

,, Expense, Freight, 1.50
Cartage, .40

putting the figures in the special Expense column.

158. To the inexperienced it would seem to be inconsistent to charge cartage to *Mdse.* in one instance and in the next to *Expense*, but in the latter case the cartage was on incoming goods, and is an outlay of money that will in no way be recovered, and is therefore really an expense to the business.

159. The next item of cartage may be charged to any other account that may have been benefited thereby, and which we may consider responsible for it; hence it is always necessary to look into the previous conditions, or causes, of such things to be able to know what account to charge them to.

160. We enter the retail sales for the day, charging *Cash* and crediting *Mdse.* in its special column, as usual, say $62.50. Then prove the cash for the day, disregarding the figures in the two Discount columns, as they do not represent any part of the cash. *Balance* and *close*, as we have done each day.

161. *Charge up more goods*,—that is, charge the same four customers on Sales-book with goods supposed to have been sold to them, as follows: J. C. Brown & Co., $175.90; W. C. Browning & Co., $140.45; Miller & Bros., $166.45; and Davis & Co., $240.50, omitting case and cartage in their case; repeating the terms and address of each firm, also the items necessary to make the amounts, which will be found in previous charges of the same amounts to other customers; if not, create them from others.

162. In posting from the Cash-book this month, we must consider the figures in the Discount columns in connection with those in the Sundries columns, which gives us an entry necessarily affecting three accounts.

163. For instance, our first entry on the debit side affects W. C. Browning & Co.'s account, also the *Cash* and the *Discount* accounts; hence our first double-entry proposition on that side must be stated thus: *Cash and Discount both debtor to W. C. Browning & Co.*, which means they *are* debited in the first entry in positions whereby they *will be* debited in the final entry at the end of the month, and for that reason are passed for the present. Then turn to W. C. Browning & Co.'s account in the Ledger and reverse the proposition, and say: *Their account must be credited by both Cash and Discount.* We enter on the credit side of their account, as follows:

			114.54	7.31		
Feb'y 1,	,,	Cash,	Dis.,	6,	121.85	

writing Cash and Discount both on the same line, with the figures directly over each word, and extend the total into the column.

164. If we were posting the two items from the Journal we would use the word *Sundries* in place of the two words *Cash* and *Discount;* but as they are differently arranged in the Cash-book, it is necessary to have each appear in the transfer to enable us to retrace them to the original entry.

165. We read the next entry the same way, and turn to J. C. Brown & Co.'s account and credit it thus:

			132.03	8.42		
Feb'y	,,	Cash,	Dis.,	6,	140.45.	

arranging the figures the same way as in W. C. B. & Co.'s case.

166. We read the next entry as we read others of the same kind last month, and pass it for the same reason.

167. The first entry on the credit side of Cash-book also affects three accounts, *Earle & Co.*, *Cash* and *Discount.* Hence our double-entry proposition must be stated thus: *Cash and Discount are both credited by Earle & Co.*, at least, they *are* credited in the first entry, and *will be* in the final entry at the end of the month. So they are passed for the present, and Earle & Co.'s account conidered by reversing the proposition from their standpoint, thus, Earle & Co.'s account *must be debited to both Cash and Discount*, hence we write on the Debit side,

			470.00	30.00		
Feb'y	,,	Cash,	Dis.,	7,	500.00	

disposing of the figures as explained in the case of W. C. Browning & Co.

168. We read the next entry on that side, *Cash credited by Mdse.;* then turn to *Mdse.*, and post it at once, because it is not n a Special Column. Write on the Debit side,

Feb'y	,,	Cash,	7,	7.50.

We read the next entry and pass it same as such entries were read and disposed of last month.

169. We then read the first entry in the Journal, *Mdse. Dr. to Sunds.*, and as the first two accounts in the entry are in special columns, we pass and check them thus, ✓, and post the next two in every way the same as last month.

We also post from the Sales-book the same way as before.

THIRTEENTH LESSON.

170. Reopen the Cash on *February* 2, as usual. By reference to our Bills Payable book we will notice that our first note is due to-day, and the amount is $475.00. We also notice that it is payable at First National Bank, which means it would be presented there by whoever holds it, and that the bank will pay it with our funds, providing we have that much at our credit in bank; and if we did not have enough to meet the note, the bankers would advance whatever balance was necessary, providing they considered us good for the amount and worthy of the accommodation. If they did not so consider us the note would not be paid by them, but would be presented at our office.

171. We presume that the note was paid on presentation at the bank; hence we must give the bank credit by the amount by deducting it from last balance.

172. On looking at our Check-book we notice we have only a small balance of $41.89, and therefore the bank had to advance $433.11 of their own money to protect the note. We therefore make the following memorandum on stub of the Check-book,

Feb'y 2, Less Note due to-day, 475.00

placing the $475.00 under last balance; draw a line and deduct the upper figures ($41.89) from the lower ($475.00), leaving $433.11, which must appear in red-ink figures, and will mean *overdraft*, or due the bank. Many book-keepers would say: "I can't deduct $475.00 from $41.89, consequently will make no memorandum of it until I have added enough to the bank account to pay the note; then deduct it."

173. That would not be satisfactory, as we must show the actual condition of the bank account every time it is changed, be it *good* or *bad*, and for that reason we deduct the note at once, giving us a minus quantity, as it were; then we can see how much we are overdrawing, and therefore know what amount to raise to make it good.

174. Furthermore we would receive a notification from the bank, by special messenger, that our account was overdrawn $433.11, and that they expect us to make it good before 3 o'clock, which we would do by exchanging checks with a neighbor possibly in some instances and depositing it, but in this instance we will attend to it in another way, hereinafter explained. Exchanging checks would not change the condition of the bank account according to our version, but would set it aright according to the bank's version, as the check we deposit reaches the bank at once, whereas the check we give in exchange would be deposited by our neighbor in his bank and would have to go through the clearing-house and therefore not reach our bank until next day, and by that time we will have funds there to meet it.

175. We make a *double entry* in the Cash-book of having paid our note, crediting Cash and charging Bills Payable, because we receive our note back when we pay the cash for it. On the credit side of C. B. we make the following record:

2,	By Bills Payable,	Note due to-day,	475.00.

We also mark it *Paid* on the Bills Payable book in the space for remarks.

176. Our bank account being in bad condition, we must raise the money to make good the overdraft, and having $431.54 in other people's notes on hand, according to our Bills Receivable book, we *offer them for discount* at the bank, and assume that the bank accepts and passes them to our credit, less 6% discount for the unexpired time. See THIRD AFTERTHOUGHT on page 226.

177. We must see if the amount they give us credit by is correct. We find the date of maturity of each note, also the amount of each, by reference to the Bills Receivable book; then calculate the number of days from *now* to the due date of each and reckon the 6% for the unexpired time on the amount of each separately, as the time is different, and find the total discount to be $3.27, which, deducted from the total of all the notes, must agree with the net proceeds by which the bank gives us credit on their books. also on our *Bank-book* or Pass-book, for a description of which see page 58; also see Miniature *Pass-book*, pages 124 and 125.

We charge the bank on stub of Check-book, thus,

Feb'y 2,	Proceeds of Notes,	428.27
	219.19	
	209.08	
	428.27	

178. We show in our memorandum the net amount of each note on the supposition that each has been entered on our Pass-book by the discount clerk; if he had entered only the total, as is often the case, then we would have only the total in our memorandum. The main idea is to have ours agree with his, as a matter of convenience in *checking up* the bank account when the *Pass-book* has been balanced at the end of the month. We place the total proceeds in the column under the red-ink figures and deduct the lower (black-ink figures) from the upper, which will leave a small overdraft still, which must also appear in red-ink figures.

179. We take $100 out of the Cash-drawer and deposit it to cover the shortage in bank, and charge the bank, thus:

Feb'y 2,	Deposited Currency,	100.00.

If it had been a check instead of currency, we would have written simply *Deposited* 100.00.

180. We deduct the upper amount (in red ink) from the $100 deposited, and the difference will indicate the balance at our credit in bank, and must, therefore, appear in black ink, restoring the bank account to its normal condition.

181. We charge Cash with the amount received for the notes, and credit *Bills Receivable* by making the following entry on the the debit side of C. B.:

,, Bills Receivable,	Discounted at First Natl. Bank the following Notes,			
		211.22		
	W. C. B. & Co.,	2.14	209.08	
		220.32		
	J. C. B. & Co.,	1.13	219.19	428.27

182. We name the notes by the initials of the firm and place the amount of each just above the line, and the discount of each on the line under the amount in the order of subtraction, and

extend the net amount of each near the Discount column in the order of addition, and extend the total into the Sundries column.

183. The Discount, $3.27, we lose, and enter in the Journal, charging it to *Interest* and crediting *Bills Receivable* by it, in the *First Form* of entry, and explain thus:

6% dis. on Notes, see C. B. 6,

referring to Cash-book page 6, where we have the details already stated, which will save repeating them.

184. We also make the following memorandum on the Bills Receivable book under *Remarks:*

Disctd. at 1st Natl. Bk. Feb'y 2,

including the two notes in a brace (}).

185. Assume that the man who furnishes us with cases that we pack our goods in for shipment to customers, brings in his bill for cases delivered to us in January, say $6.50. We pay him out of the cash-drawer, credit *Cash*, and charge *Mdse.*, for the same reason we charged the cartage to *Mdse.*

186. Assume that the collector for the gas company presents his bill for gas consumed last month. We pay him out of the cash-drawer also, say $4.50, credit *Cash*, and charge *Expense* in the special Expense column*

187. Charge *Cash* and credit *Mdse.* with the amount of retail sales for the day as usual, say $67.50. *Prove the cash*, *balance*, and *close it* for the day.

188. Assume that we receive $500 worth of goods from Wright Mfg. Co. We enter it in the Journal, charging *Mdse.* in its special column, and credit their account in their special column, neither of which will be posted at present, but passed and checked thus (✓) on the left of each name where the post-mark would be.

189. We make no entries in the Sales-book this lesson, but conclude by posting from the Cash-book, and, as there are no figures in either Discount column, the entries will all be read and posted same as last month.

* It will be noticed that this payment did not pass through petty C. B. The amount is sufficiently large to entitle it to a place in principal C. B.; furthermore it is a matter we may want to refer to, and it is easier traced when thus entered.

FOURTEENTH LESSON.

190. Reopen the Cash-book *February* 9.

Assume that Miller & Bros.' note, which was due on the 3d, was protested for non-payment, which means they could not pay it, and therefore it was placed in the hands of a *notary public*, who would notify everybody whose name appeared on the note as *indorsers*, of the fact that it had not been paid and that they were looked to for making it good. The notification he sends to each is called a *Protest*, and his services in the matter usually cost $1.50, which is called *protest fee*.

191. By referring to our Bills Receivable book we will see that we discounted the note at our bank January 12, at which time we indorsed it—wrote our name across the back of it—which meant that we would guarantee the bank against loss in the event it was not paid; hence the note would reach us again *via* First National Bank, to whom we would give a check on themselves for the amount of the note, including protest fees, first making the following memorandum on the stub from which the check will be detached:

No. 12.	Feb'y 9, 1888.		
First National Bank.			
For Miller & Bros. Note,		128.11	
Protest fees		1.50	129.61

192. It would be necessary to give them a check, which would authorize them to charge our account with the amount, which they would have no right to do without such authority, although they hold our funds on deposit.

193. We deduct the $129.61, from last balance, which will again overdraw our account, hence the difference must appear in red ink again.

194. We enter the amount of check in the Cash-book, crediting Cash and charging Miller & Bros., because we hold them accountable for the amount we advanced to meet *their* obligation. We enter on the credit side of the C. B. as follows:*

9	By Miller & Bros.	Note due 3d,	128.11	
		Protest fees	1.50	129.61

* See First Afterthought on page 226.

195. Assume that we receive a remittance from Davis & Co. to pay their bill of 31st ult. $213.25, less 6%. We make the following entry on the debit side of C. B.:

„ Davis & Co., Jan'y. 31, 213.25 — 12.79 = 200.46.

disposing of the matter as already explained in the case of W. C. Browning & Co., paragraph 150.

196. We would deposit the check and charge the bank account with it as usual, which would settle the overdraft and leave a balance at our credit, which must appear in black ink figures.

197. Assume that our neighbor and friend, A. F. Benson, solicits the loan of $100 from us for 42 days, agreeing to pay us 7% for the use of it. We will lend him the money on bank principles; that is, we will require his note for the amount, deduct the 7% for 42 days, and give him a check for the balance.

198. We make this memorandum on stub before making out check:

No. 13. Feb'y 9, 1888.
A. F. Benson,
Loaned 100.00
42 days @ 7% .88 99.12

Deduct it from balance in bank

199. We enter it in the Cash-book, crediting *Cash* and charging *Bills Receivable* on the credit side of Cash-book thus:*

„ Bills Receivable. Loaned A. F. Benson
On his note 100.00
42 days @ 7% .88 99.12

Make an extra memorandum on Bills Receivable book according to the facts in the case.

200. The 88 cents we make, and in a strict sense of the word is discount, but we credit *interest* by it, and charge it to Bills Receivable in the Journal according to *First Form*, and make the following explanation:

7% discount on A. F. Benson's note at 42 days for 100.00.

201. In the explanation we must allude to it as discount to make sense, because it was *deducted* from the face of the note, and to say 7% *interest* would mean that it was *added* to the face.

* See First Afterthought on page 226.

By referring to paragraph 69 you find a full explanation of the matter, and the seeming incongruities reconciled.

202. Supposing it to be regular pay-night, we hand the porter $20 and the office-boy $7, credit *Cash* and charge Expense, same as before; also enter the retail sales for the day, charging *Cash* and crediting Mdse., say $72.50. *Prove the cash, balance,* and *close it* as usual.

203. Suppose we receive an apologetic letter from Miller & Bros., explaining how it happened that their note went to *protest,* stating that Mr. Miller was out of the city and forgot to leave a check signed with the book-keeper, which would doubtless be a fabrication from whole cloth, designed to impose on our credulity; at the same time they request an extension of 30 days for the amount of protested note, and enclose a new note with interest added at 6% per annum, covering the protest fees also; hence the new note would be for $130.26.

204. We record the facts in the Journal, making two entries of *First Form.* We charge Bills Receivable, and credit Miller & Bros.' account with the amount of note, and and explain as follows:

> Received their note of Feb'y 3d at 30 days in renewal of note due Feb'y 3, 128.11 including protest fees 1.50 and 30 days' interest @ 6% = .65.

We also make the necessary memorandum on the Bills Receivable book.

205. We make another entry charging Miller & Bros. and crediting *Interest* 65c., which we made, and explain as follows:

> 6% interest on 129.61 for 30 days; see above entry.

The 6% in this case was really interest, being a percentage *added* to the face of the amount; hence we allude to it as interest in the explanation.

206. Our Commercial College professors (?) would never have disposed of the matter in two entries, but would have made one entry charging Bills Receivable with the amount of note, crediting Miller & Bros. by $129.61 and Interest by 65 cents, which would have been theoretically correct, but practically incorrect, as in business we desire that Miller & Bros.' account must show the full transaction, which it would not do if we had credited them

only by the amount they were previously charged with in the Cash-book, in which case the interest would not appear in their account, nor would their account have shown the amount of note received from them, as it should.

207. Assume that we receive $800 worth of goods to-day, $450 from Earle & Co., $350 from Sanford & Co. We enter it in the Journal, charging Mdse. in its special column $800, and crediting Earle & Co. and Sanford & Co. in the Sundries Cr. column by the amount of their respective bills, and explain,

As per bills on file.

The *Mdse.* would be passed in posting and checked as usual, and the two firms would be dealt with same as before.

208. Charge on Sales-book as follows: Davis & Co. $213, duplicating the items in next to last entry on page 89, omitting case and cartage. Charge J. C. Brown & Co. $204.50, duplicating last entry on page 87. Charge W. C. Browning & Co. $206.10, duplicating first entry in February on page 89. We would decline to ship any more goods to Miller & Bros., since they failed to meet their note.

209. We conclude this lesson by posting from all three books as usual. The first entry on debit side of Cash-book will read *Cash and Discount both debtor to Davis & Co.*, which means, *their account must be credited by both Cash and Discount.* On the credit side of their account we write,

		200.46	12.79		
Feb'y 9,	,,	Cash.	Dis.,	6,	213.25,

all on one line, arranging the figures as already explained in a similar case. First entry on credit side reads, *Cash credit by Miller & Bros.* $129.61, which means, *their account must be debtor to cash* $129.61. We therefore write on the debit side,

9,	,,	Cash,	7,	129.61.

210. The next entry reads *Cash credit by Bills Receivable* $99.12, and therefore Bills Receivable must be debtor to Cash $99.12. Hence we write on the debit side,

Feb'y 9,	,,	Cash,	7,	99.12.

The next entry on both the debit and the credit side we read, pass, and check as we have others of the same kind.

FIFTEENTH LESSON.

211. *February* 12.—Suppose we receive a 4 mos. note from Davis & Co. for $240.50 to settle their bill of 1st inst. We would enter it in the Journal, *First Form*, charging Bills Receivable and crediting their account by the same amount, and explain thus:

> Received their note of Feb'y 1st at 4 mos.
> in settlement of bill of same date, 240.50.

Also make the usual memorandum on Bills Receivable book.

212. Reopen the Cash-book *February* 12. Suppose J. C. Brown & Co. desire to *take up*, in other words *call in*, their note which they gave us January 18, $220.32, and for that purpose send us their check to pay it 19 days before its maturity (counting 29 days in February), deducting 6% per annum for the time yet to run.

213. By reference to Bills Receivable book it will be noticed that we discounted the note at bank February 2; hence we would have to withdraw it from the bank, which would cause them to lose the discount, and for that reason they would not like to give it up until due, but would do so as a matter of business courtesy. We would give them the note just received from Davis & Co. as a substitute for the withdrawn note to protect them from loss, and as an act of reciprocal favor.

214. Would-be professors or proprietors of so-called business colleges who vaingloriously style themselves presidents (?) would not dispose of this matter properly or as it would be done in a business-like way by a practical bookkeeper. Their first thought would be to *journalize it;* the burden of their song is *journalize everything.* They deal in theories, not conditions; in *shadows*, not *substances.* They have no knowledge of the many exigencies arising in business which their theories do not encompass, a fact that has brought their *teaching* and methods into disrepute and desuetude.

215. The money received from J. C. Brown & Co. we enter at their credit on debit side of C. B., thus:

,,	J. C. Brown & Co.	For note due Mar. 4.	220.32	
		Less 6% dis. 19 days	.69	219.63

We deposit the check and charge the bank in the usual way; then make out a check to the order of the bank on themselves, first making the following memorandum on stub:

No. 14. Feb'y 12, 1888.
First Natl. Bank.
For J. C. B. & Co.'s Note 220.32
Less 6% for 19 days .69 219.63.

Deduct it from bank account.

216. Then enter it on the credit side of Cash-book, charging it to J. C. Brown & Co., thus:

By J. C. Brown & Co.	For note due Mar. 4,	220.32	
	Less 6% for 19 days	.69	219.63.

We take no notice of the discount in either case, as one offsets the other, and in no way affects our *Interest* account. The two entries of Cash also offset each other, and neither increase nor diminish our *balance;* but it is entered on the books for the purpose of having J. C. Brown & Co.'s account show the transaction as it should.

217. The note we give the bank as a substitute would be submitted as a new matter for discount, and the proceeds charged to the bank account in the usual way, and then entered on the debit side of Cash-book at the credit of Bills Receivable in the following manner:

12	,,	Bills Receivable.	Discounted at 1st Natl.		
			Bank D. & Co.'s Note	240.50	
			@ 6% 113 days	4.53	235.97.

218. We make the following *remarks* on Bills Receivable book:

Disctd. at 1st Natl. Bank Feb'y. 12.

The 6% ($4.53) we lose, and enter it in the Journal, charging *Interest* and crediting Bills Receivable, and explain it as follows:

6% dis. on Davis & Co.'s Note 240.50
for unexpired time 113 days.

219. By referring to the Bills Payable book we notice that we

* See SECOND AFTERTHOUGHT on page 226.

have another note due to-day, $150, which we deduct from the bank account, because it would be presented there and paid by the bank with our funds. We say, on back of stubs where we put the deposits,

Less note due to-day, 150.00

220. We then enter it on credit side of C. B., charging it to Bills Payable, thus:

,, Bills Payable. Note due to-day, 150.00

and mark it paid on Bill-book under Remarks.

221. Last thing in the day we credit *Cash* and charge *Expense* by the amount in Petty Cash book, say $4.50. Also charge Cash and credit Mdse. by the amount of retail sales, say $75. *Prove*, *balance*, and *close* the cash.

222. Charge on Sales-book T. V. Cannon, a transient customer, $31.80, duplicating last entry on page 88.

Also charge A. F. Benson, our neighbor, $18.50, duplicating third entry from bottom of p. 88, adding 35 cents to cost of Cuffs.

Charge W. S. Jenkins, our salesman, with one-half doz. shirts, say

at cost, 8.50,

also one doz. collars,

at cost, 1.15, 9.65.

extending the total into the outside column.

223. We then post the few entries from the Sales-book. Having no account on the Ledger with either Cannon or Benson, and as they are not likely to buy of us anything in the future, we would not open a regular account with them, but place their names under the Ledger heading, PETIT ACCOUNTS RECEIVABLE (see page 103), and dispose of them accordingly, as explained on pages 110 and 111, which read thoroughly.

224. We have an account already open with W. S. Jenkins; hence we will enter on the debit side of it.

Feb'y 12, ,, Mdse. 7, 9.65.

225. We also post from the Cash-book and the Journal, proceeding as usual, posting *every item* found in the Sundries columns in both books, passing and checking those found in all the special columns.

SIXTEENTH LESSON.

226. Reopen the Cash-book, *February* 15. We have another note due Feb'y 17, for $500, according to our Bills Payable book, and it is for money borrowed of *our bank*. As we have not enough money to pay it with we will *renew it* for 45 days, assuming that it is satisfactory to them.

227. We therefore make a new note for $500, having 45 days to run, and give it to the bank, and they will deduct 6% per annum for the time, and give us credit by the balance (see paragraph 68).

228. We enter the money received for the note on the debit side of Cash-book, crediting Bills Payable, thus:

,,	Bills Payable.	Renewed at 1st Nat'l.		
		Bank our Note of	500.00	
		for 45 days @ 6%	4.00	496.00.

Charge the bank account on back of stub as follows:

Feb'y 15, Proceeds of Note, 496.00.

Also make memorandum on Bills Payable book as usual.

229. We now have money enough at our credit in bank to cover the old note, which will be charged to our account by the bank, and hence we must give them credit by it, as follows:

Feb'y 15, Less note due Feb'y 17th, 500.00,

deducting it from the balance in bank. We credit cash, and charge Bills Payable on credit side of C. B., thus:

15, By Bills Payable. Note due Feb'y 17th, 500.00.

Then mark it paid, under remarks, on Bill-book.

230. The fact of renewing a note at bank, therefore, simply resolves itself into borrowing money from them to pay them again, and to borrow money from the bank requires the note to pass through the regular routine of being discounted, and the old note passes through the regular routine of a prompt payment.

231. If the note had been held by private parties, we could have renewed it by giving them the new note in exchange for the old one, and paid them in cash the 6% for the time the new note has to run, or included it in the face of new note. If the

* The $4 00 Discount we lose and charge it to INTEREST in Journal entry, *First Form*, and explain same as in paragraph 84

interest had been paid in cash, we would have credited Cash and charged Interest, but if it had been included in the new note, we would have made the following Journal entry:

Sundries Dr. to Bills Payable,		504.00
Bills Payable,	500.00	
Interest,	4.00	

This would have been necessary to keep the Bills Payable account straight, and have it show all the notes we had issued, also those redeemed.

232. Assume that we receive a check from First National Bank, St. Louis, for $99.75, as returns for Miller & Bros., acceptance due on the 11th, $100.00, which was left in their (the bank) hands for collection. We charge Cash, and credit Bills Receivable as follows:

,, Bills Receivable,	Miller & Bros.' acceptance,	100.00		
	Less Exchange,		25	99.75

we mark it

Paid

on Bill-book, under remarks, and make a Journal entry for the Exchange, which we lose, *First Form*, making Exchange Dr. to Bills Receivable, and explain,

For collecting Miller & Bros.' acceptance.

233. Assume that we receive a remittance from W. C. Browning & Co., covering their bills of February 1st and 9th, less 6%. We enter it on the debit side of Cash-book, crediting their account thus:

,, W. C. Browning & Co., Feb'y 1st and 9th, 346.55, 20.79, 325.76.

disposing of it in every way the same as in paragraph 150.

Assume that we receive a check from Miller & Bros., for $150, part of what they owe us, we enter it on the debit side of Cash-book, at their credit, thus,

,, Miller & Bros., On acct., 150.00.*

234. The money received from Browning, caused us to lose $20.79 in discount, which we can counteract by paying Sanford & C.o's bill of 20th ult., less 5% which they would allow us. Hence, we make a check to their order for $475.00, proceeding as

* Deposit the three checks just received and charge the Bank as explained in paragraph 10.

usual in such cases, deducting the amount from bank account, and entering on the credit side of Cash-book, crediting Cash $475.00, crediting Discount $25.00, and charging Sanford & Co. $500 (see paragraph 154).

235. Enter the retail sales for the day, charging Cash and crediting Mdse., say $77.50; also enter the amount from Petty Cash-book, crediting *Cash* and charging *Expense*, say $4.60. Prove the cash balance, and close it for the day.

236. *Charge up* more goods on the Sales-book,—that is, charge our regular customers as follows: W. C. Browning & Co., $217.75.; Davis & Co., $208.50; J. C. Brown & Co. $240.50, duplicating their first bill, omitting case and cartage in Davis & Co.'s entry, which make under date of 29th, and close the book for the month same as last month.

237. Assume that we receive $250 worth of goods from Wright Mfg. Co., and $300 worth from Sanford & Co. We enter it in the Journal, *Second Form*, charging Mdse. $550 in its special debtor column, and crediting the two firms by their respective bills, the former in their special credit column, and the latter in the Sundries credit column, making the usual explanation.

We conclude the lesson by posting from all three books.

SEVENTEENTH LESSON.

238. *February* 29.—Reopen the Cash-book. Assume that Miller & Bros. have failed, and effected a settlement with their creditors at 40 cents on the dollar, in cash. We find out how much they owe us by referring to their Ledger account; then look through the Cash-book, Sales-book, and Journal to see if there have been any entries made affecting their account which are not yet posted; then look on the Bills Receivable book to see if there are any notes against them not yet paid, either on hand or negotiated, and those not yet due, of course, have not been paid. We find one due March 7, $130.26; so we add the amount to what they owe in open account, and calculate 40% of the total, which

we enter on the debit side of Cash-book, at their credit, as follows:

,, Miller & Bros., 40% of their acct. 170.96 68.38.

239. The difference between what they pay and what they owe we lose, and charge it direct to the *Profit and Loss* account, and credit their account by making a Journal entry of *First Form*, and explain as follows:

60% of their account, 170.96, lost by their failure.

240. As they have settled the amount of their note, we must return it to them, charging their account and crediting Bills Receivable in the Journal *First Form*, and explain as follows:

Returned to them their note, due March 7th.*

Also mark it under remarks on Bills Receivable book,

Returned Feb'y 29th. (See question 486, Appendix.)

241. Suppose Austin Ross has returned, and hands us back $50 in cash of the money we gave him for travelling expenses, and accounts for the balance, $150, by handing us an itemized statement of his expenses during the trip, amounting to $125, and the remaining $25 he used for his own private matters.

242. The $50 we enter on debit side of Cash as follows:

,, A. Ross' Travelling Acct. Refunded, 50.00,

and make a Journal entry, *Third Form*, for the other part, charging *Expense* $125, charging A. Ross personal $25 and crediting A. Ross' Travelling Account $150, and explain:

As per Expense report on file.

243. When too much money accumulates in the drawer from retail sales and other payments received in currency, we deposit it; and as we now have over $300 in the drawer, we will deposit that amount and charge the bank account, thus:

Feb'y 29, Deposited Currency, 300.00,

giving us a balance in bank of over $500, which we will use in paying Earle & Co.'s bill of February 1, $500, less 5%.

244. We prefer to pay all large sums by check, as the check must be indorsed by the party we give it to before they can

* See FIFTH AFTERTHOUGHT, page 227.

negotiate it, and when indorsed and paid it would be returned to us by our bank with other *vouchers* at the time of balancing the Bank-book, and it would be the best possible receipt for the amount paid the party. If we had the currency in the drawer, we would deposit it, and then draw a check for the amount we wish to pay, for that reason.

245. We therefore make a check to the order of Earle & Co. for $475, making the usual statement of the facts on the stub, and deduct it from the bank account; then enter it in the Cash-book, together with the discount we made in the settlement, as follows:

By Earle & Co., Feb'y 1, 500.00 25.00 475.00.

246. We assume that the junior partner draws $50 in cash. We charge it to his account and credit Cash, disposing of it as we did in the case of P. A. Wright, paragraph 110. We also hand the porter $20 and the office boy $7, their wages in cash for two weeks, charging it to *Expense* on credit side of C. B. Enter the retail sales for the day, charging Cash and crediting *Mdse.* as usual, say $75. Enter the amount of Petty Cash book, say $5.50, crediting Cash and charging it to Expense, and as *Expense* was the last account on the credit side of Cash-book, we must not repeat it, but simply write in the space for explanation:

See Petty Cash book, 5.50.

Prove the cash balance, and close it for the last time, thus, in red ink:

		74.37	81.13	
,,	Balance,	Bank,	Drawer,	155.50

247. We post from the Cash-book first by turning to Miller & Bros. account and entering on the credit side simply,

29 ,, Cash, 7, 68.38.

Also the same way with Austin Ross' Travelling Account. We have already had an entry like the first on the credit side of Cash-book, and will dispose of it the same way. In fact, every item *found* in the Sundries column, either side, must be posted, but those in *specials* we pass and check as heretofore.

248. In posting from our Journal, the first account to dispose of is *Profit and Loss*, which has not yet been opened in the Ledger. We always give it a top-heading and never a sub-head-

ing, as it is one of the most important accounts on the books, and is, therefore, entitled to the distinction of being placed at the top of the page and not half-way down the page.

249. We open Profit and Loss account on page 12, and enter on the debit side,

Feb'y 29, To Miller & Bros., 7, 102.58.

Then on the credit side of Miller & Bros.' account we enter,

29 ,, P. & L., 7, 102.58.

Austin Ross' Travelling Account is the first in next entry, and we credit it thus:

29 ,, Sundries, 7, 150.00.

Then dispose of Expense by entering on the debit side,

Feb'y 29. ,, A. R. Trav. $^{a}/_{c}$, 7, 125.00.

Also on the debit of A. Ross' account we enter,

Feb'y 29, ,, A. R. Trav. $^{a}/_{c}$, 7, 25.00.

250. Being at the end of the month, the books must all be closed to get the monthly results from each. The closing of our Cash-book will be different to last month, owing to the fact of having the two Discount columns. The line extending across the page on each side will be produced across the Discount columns only, and on the next line we rule across the other two specials, *Mdse.* on the left hand *Expense* on the right of the page, and on the next line we rule across the two Sundries columns on each side; then omit one line and rule across the two amount columns, and finally rule a double line across each page on the next line, beginning at the column for months on each side. The idea is not to have two columns on either side added on the same line. See the closing of Miniature Cash-book, pages 68 and 69.

251. The footings of the columns on the debit side of the Cash-book will be explained as follows:

1/29	Dis., Dr. To Sunds.,	Total dis. all'd by us,	49.31		
	Mdse., Cr. By Cash,	Total Retail Sales,	430.00	430.00	
	Cash, Dr. To Sunds.,	Total Receipts,		2950.79	2950.79
	Balance,	From Jan'y 31,	(This line red ink.)		337.07
					3287.86

252. On the credit side of Cash-book the footings of the columns will be explained as follows:

1/29 Dis.,	Cr. By Sunds.,	Total dis. all'd us,	80.00		
Expense,	Dr. To Cash,	Total Cash Expense,	75.00	75.00	
Cash,	Cr. By Sunds.,	Total Disbursements,		3132.36	3132.36
Balance,		Carried to Mar. 1,	(This line red ink.)		155.50
					3287.86

253. This being the end of our *season*, that is, the time for adjusting the profit or loss of the business, as we explain in another place, we must adjust the interest on P. A. Wright's additional investment of $500, as per agreement, which will require a Journal entry of the *First Form*, charging Interest and crediting his account, and explain as follows:

> 6% Interest on additional investment of $500 from Jan. 20, to date (40 days), as per copartnership agreement, $3.33.

254. We make the usual entry in the Journal that is made every month on the last day, crediting the clerks by their services $100 each, crediting the landlord by $125 for rent, and charging the total to Expense, duplicating the last entry in the Journal for January.

255. Having special columns in the Journal, we close it on the same principle as we did the Cash-book, by extending the line that is ruled across the main part of the book, across the Mdse. Dr. column, and on the next line rule across the Wright Mfg. Co.'s special credit column only, and on next line rule across both the Sundries columns, which add; and, finally, on next line, rule a double line across the page, beginning at the column for the month on the left.

256. The footings of the two special columns will be explained thus:

Mdse.,	Dr. To Sunds.,	Total purchases,	4850.00	4850.00
W. Mfg. Co.,	Cr. By Mdse.,	Purchases of them,	2750.00	2750.00

See closing of Miniature Journal, page 81.

257. In posting the footing of the Discount column on the left in the Cash-book, we write on the debit side of Discount,

Feb. 29. 1/29 " " 8, 49.31

and that on the right we enter on the credit side,

1/29 ,, Sundries, 7, 80.00

The footings of the other columns will be posted same as last month.

258. In posting the footings of the two special columns in the Journal, we dispose of Mdse. first, by entering on the debit side,

1/29 ,, Sundries, 7, 4850.00

and on the credit side of Wright Mfg. Co.'s account we enter,

1/29 ,, Mdse., 7, 2750.80

EIGHTEENTH LESSON.

259. Make a *Trial Balance*, showing the condition of every unbalanced account in the Ledger from the beginning of the account to the present time, proceeding in the same manner as last month.

260. If it balances we then assume that we have gone over twelve months, and therefore we are now at the end of the year, as the next ten months would be a repetition of entries and closings of the last month; then close the Ledger accounts to see whether we have made or lost, and to see what our Resources and Liabilities are, also Net Capital, proceeding according to *Rules for Closing Books*, pages 43 and 44, assuming our Stock on hand as per inventory to be $7300.

261. After completing that operation, we reopen the Ledger accounts according to *Rules for Reopening Books*, page 45, and conclude the course by making a final *Balance Sheet*, like the one on page 116, according to the rules on page 50.

262. If the books are written up correctly, the final result will show each partner's net gain to be $57.08½. As we cannot consider halves in Ledger accounts, we give the senior one cent more than the junior when the profits do not divide equally. The senior's Net Capital will be $1,510.42, the junior's Net Capital $1,007.08; the Total Assets $9,182.85; Total Liabilities, $6,665.35.

FIRST AFTERTHOUGHT.

263. On page 211, paragraph 194, and on page 212, paragraph 199, are two instances in which we pay out money and receive notes in exchange (Miller Bros.' note in one instance and A. F. Benson's in the other), but do not charge *Bills Receivable* in both cases, which would be in harmonious accord with our theory to *debit whatever we receive.* In the first instance, Miller Bros.' note has been invalidated by having been protested, and is therefore no longer recognized as *Bills Receivable;* hence we charge Miller Bros.' account, because we receive nothing of value for money expended for their benefit. Paying out money for one's benefit is same thing as paying it to them.

SECOND AFTERTHOUGHT.

264. On page 216, paragraph 216, there is another instance in which practice differs from theory. Theoretically we would charge *Bills Receivable*, because we receive Brown's note in exchange for the money; but that would necessitate another entry in the Journal, in which the account of J. C. Brown & Co. would be *charged* and *Bills Receivable credited* when the note was forwarded to them. It is easily understood to be practically best to *charge* the money directly to their account, thereby dispensing with the Journal entry, as the whole matter finally resolves itself into an issue between J. C. Brown & Co. and *Cash.* If we buy anything, no difference what it may be, for another person, we *charge* their account with its cost, if it was done for accommodation.

THIRD AFTERTHOUGHT.

265. In discounting notes at Bank, they must first be *Offered for discount*, as it is termed in business phraseology; hence the notes would be submitted in a letter written to the *Cashier*, like the one on page 134, which see. The Cashier brings them before the *board of directors* at their next meeting, and they, as a body, pass their judgment upon them, authorizing the Cashier to accept the notes if satisfactory to them, or reject if the notes are not considered good. The next day, when we present our *pass-book*

at the *Discount Clerk's* desk, he enters at our credit the proceeds of those accepted, and hands us those that were rejected, without explanation. When we are in a hurry to realize on the notes and cannot wait for the Bank's *regular discount day*, the Cashier assumes the responsibility of passing upon the notes and gives us credit at once by their present worth.

FOURTH AFTERTHOUGHT.

266. Accommodation paper should be treated as our own obligation; that is, if a friend gives us his note, or accepts our *time draft*, with the understanding that we meet them at maturity a *de facto* Bills Receivable becomes a *de jure* Bills Payable. When they are afterwards discounted, we credit *Bills Payable* with the proceeds in the Cash Book, and with the *Interest* (or discount) in the Journal, and make the usual extra memoranda on *Bills Payable Book*. Another instance in which practice differs from theory: in business we deal with *realities*, not *formalities*.

FIFTH AFTERTHOUGHT.

267. If we hold a customer's note at its maturity, say for $150, and he can pay only a part of it, say $50, we *charge Cash* and *credit Bills Receivable* with the amount received and endorse it on back of the note, also make pencil memoranda on Bills-Receivable Book to that effect. The balance will properly adjust itself and no notice is taken of it.

268. If, however, he gives us a new note for the balance, we would carry the whole matter through his account by charging *Cash* and crediting his account with the money he gave us, then make the following Journal entry:

Sundries Dr. to Bills Receivable.....		$150.00
Bills Receivable....	$100.00	
..... (Customer's name)	50.00	

This would balance his account again, and set the *Bills Receivable* straight, showing new note on hand and that the old note had been disposed of, in other words, returned.

269. If at maturity the note is in the hands of another who would not accept such a settlement but require payment in full, we would come to our customer's relief and advance him whatever amount he needed to meet the obligation, say $100, by

sending him our check or permitting him to draw on us at sight, in which case we would credit *cash* and *charge* his account with the money advanced, $100. Then upon receipt of his note for one hundred dollars plus the interest we would make *two Journal entries*, as in the case of Miller Bros., page 213, paragraphs 204 and 205.

SIXTH AFTERTHOUGHT.

270. After the books of original entry have all been closed and posted, the next thing is to *make statements* of Customer's accounts and mail them so as to facilitate collections. *The statements should be made before the Trial Balance* as the latter may have errors, in locating which many days may be consumed and we could not defer sending statements indefinitely if we were in need of money. It is a good idea to make press copy of all statements (see page 22), in fact of every written communication or document.

271. The fact of sending statements to a customer is not necessarily a *dun* unless the account is *past due*, as each customer should receive an *account current* monthly in order to compare accounts and rectify any existing discrepancies.

272. As many small merchants throughout the country are over-sensitive on this point, the bookkeeper would not be permitted to send statements indiscriminately to every one, but after all are made he submits them to the financier or the *credit man*, who withholds those not to be sent that would likely give offence.

A pencil memoranda, "Do not send Statement," or in fact of every special thing to be observed in dealing with such customers should be made in their Ledger account.

273. The statement each month should show every item of the unsettled account and not begin with "Balance as per last statement," as is often the case, as it would save the delay consequent upon the customer writing back to inquire what the "balance" was for, the last statement having been consigned to the waste basket immediately upon its receipt.

MANUFACTURING.

274. This is one branch of the Mercantile business, and the books are conducted according to the same routine already explained in our Eighteen Lessons of Practice, and exemplified in our Miniature Set.

275. The only difference being that instead of buying goods from other firms, the material is bought and labor employed to manufacture it into salable articles. *Merchandise* would be the principal account, and would be charged with the cost of material and labor, no *manufacturing* account being necessary,—as stated in a recently-published scrap-book, or compilation of borrowed ideas, the writer of which, not knowing himself, and being misguided by what some one told him,—unless other goods (regular goods) are bought and sold besides those we manufacture, in which case *Mdse.* would represent the former and *Manufacturing* the latter, if it was desired to know how much was made on each kind.

276. In that case, two Sales Books would be required: one for each kind of goods, or a general Sales Book with three columns, one column being for regular goods, one for manufactured goods, and one for the total of both.

277. The Manufacturing account would be credited monthly with the footing of Sales Book kept for manufactured goods, and be treated in every way the same as a *Merchandise* account in closing and reopening the books.

278. A few extra auxiliaries would be necessary, such as a *Book of Costs*, journal form, in which would be kept an itemized account of the various kinds of material and labor used in making each article of different grades, like the following.

279. It will be noticed that there are thirty-three items of cost in the manufacture of a cheap corset, the omission of either of which would be serious in an extensive business.

Cutting	.08	2nd Exp.	.02
" Gores	.02	Stitching Lace	.03½
Stitching	.85	Lashing	.01
" Gores	.10	Rolling and Boxing	.02
Closing	.28	Frt. and Cases	.06
1st exp.	.03½	Coutil @ 7½	1.05
Stitching Steels	.05	Jean @ 7½	.65½
Hand Embroidering	1.00	Clasps	.20
Shaping	.07	Busk Steels	.10
Boning	.25	Backs	.12
Binding	.04½	Side Steels	.07
End Fastening	.05	Bone	.65
Eyeleting	.02	Binding	.08
Pressing	.11	Lace	.20
Boxes	.25	Ribbon	.13
Labels	.02	Eyelets	.04
Printing	.03	Net cost per doz.	6.70

280. To the net cost we add our percentage of profit whatever we wish to make. If we manufacture a specialty in which we have a monopoly, our profit percentage would be greater than if others were manufacturing same kind of article, causing strong competition; then add another percentage to cover office expenses, another to cover cost of selling, also small percentage to cover possible losses through failures and bad debts; finally we add 6⅔% to cover cash discount of 6%, the last result showing the *list price* of goods. It is, of course, understood that 6% added to any amount would not be the same thing as 6% deducted from the result, hence the object of adding a fraction more.

281. There is another mathematical principle that few are familiar with, that is, a *half added* to any amount is the same as a *third deducted* from the result; a third added equals one quarter deducted, one quarter added being equivalent to one fifth of the result deducted, and so on *ad infinitum.* As an example, take 10, add half (5), making 15; one third of 15 is the original half.

282. It is often convenient to have the cost price as well as the selling price marked on the goods, in which case the former would be indicated by *characters* representing each numeral from 1 to 10, or a word containing ten different letters, as follows:

1	2	3	4	5	6	7	8	9	10
B	u	c	k	i	n	g	h	a	m

283. The word *Paris* having five different letters makes a private mark hard to decipher by others, but easily read by the seller, using capitals for the first five figures and small letters for the next five, and "X" as a repeater of either letter when the same figure occurs twice together. "*Black Horse*" and "*Brick House*" are timeworn, and are of such common usage that it would be almost equivalent to marking with the numerals they represent.

284. A *pay-roll book* would be indispensable, owing to the fact of having many employees in the factory department besides the regular clerical and office help; this would also suggest the keeping of a *salary* account, which would be charged instead of expense, with the money used in meeting pay-roll weekly; also salaries of salesmen and bookkeeper, whose name would not appear on the pay-roll, as they would have a Ledger account.

285. Money advanced in small sums to the hands should be marked against their names on pay-roll with pencil; also on a small slip of paper, which should be kept in the cash-box, representing the money, until it disappears at the time of settling with the employee.

286. At the end of the season, that part of salary account appertaining to hands in the factory would be charged to *Manufacturing* account in a Journal entry as follows:

Manufacturing Dr.
To Salaries

The debit balance in the latter account would then show the cost of general help, which ordinarily would have been charged to *Expense*.

287. A *Machinery and Fixture* account would also be necessary, in addition to *Office Furniture* account, owing to the fact of having many machines and general machinery. This account would be charged with the cost of all kinds of machinery used in the Factory, and would be revalued yearly, and a certain per cent charged through the Journal (see entry below) to Manufacturing account for wear and breakage of machinery in use.

Manufacturing Dr.
To Machinery and Fixtures

The debit balance in the latter account representing present valuation of everything charged to it.

288. Where there are a score or more of employees, *punctuality* would be required of each, as a few minutes lost by each of many would form into days during the year, and entail considerable loss to the business. To ensure punctuality, a fine is imposed when one is late. It would seem picayune, or small, to notice a few minutes lost in one instance, but in many instances of lost time the importance of reckoning it can easily be seen and appreciated.

289. The time each employee enters is registered on a time-book by a time-keeper, and whenever one leaves the establishment, his time is taken, and if absent beyond regular allowance, the delinquency is noted on pay-roll and deducted from his dues at the time of paying off.

290. In many establishments the weeks work ends Friday evening, instead of Saturday, of each week, so as to get the *full time put in* by each workman, and enable the cashier to *figure up the pay-roll* Saturday forenoon, and provide the necessary funds to meet it, which must be drawn from the bank, which could not be done if *paying off* took place Saturday evening, as the time would not be *turned in* until too late to draw money out of bank.

291. It is often the case that outside workmen are employed to do *piece work*, which they do not care to be paid for as fast as *turned in*, but wait until they have finished other work they may have on hand.

292. Where this state of affairs exists at the end of the year, and the Inventory is taken, it, of course, includes *Mdse.* that has not been charged with its full cost; hence it becomes necessary to make a Journal entry charging *Manufacturing* or *Mdse.*, whichever account is kept, and crediting an account that would have to be opened to represent the amount due on finished work.

293. The following entry would be in order:

Manufacturing (or Mdse.) Dr.
To Workmen

See *Hands Ledger.*

The last-mentioned book meaning an auxiliary in which is kept

by single entry an account with each outside workman. This would necessitate an account in the Main Ledger, entitled *Workmen*, showing a liability, and which would be balanced by charging it when the workmen were paid.

CONVENIENT TEMPORARY FILE.

For description see page 129.

FIG. 1. Showing complete disorder.

Order is Heaven's first law.

FIG. 2. Showing perfect order.

COMMISSION BUSINESS.

294. The essential difference between the *Mercantile* and the *Commission Business* consists in the fact that in the former the goods are bought outright, and in the latter they are received on consignment, to be sold for the account and risk of others, there being no difference necessarily in the manner of selling or means of disposing of them.

295. To explain how to keep books for a commission business, we must take into consideration which of the three branches of the business is meant: First, The *Produce Commission*, which includes flour, grain, poultry, fruit, butter, eggs, etc. Second, The *Cotton and Tobacco Commission*, called heavy produce, because handled in large bulk—called *bales* for the former and *hogsheads* for the latter. Third, The *Dry Goods Commission*, which would mean any kind of goods usually sold in the mercantile business, groceries excepted. Strange to say, we never heard of a *Grocery Commission Business.*

296. Our experience as a bookkeeper began in the second mentioned, and terminated sixteen years thereafter in the third named; hence we give the reader the benefit of our experience, and not an extract of something read elsewhere.

297. When the consignments of Cotton and Tobacco are small but frequent, and soon closed out, no *Consignment Book* is needed, as the Bill of Lading that accompanies each shipment is kept on temporary file (see page 233) until the goods are disposed of, then filed permanently. Those remaining on temporary file will account for the goods unsold.

298. As the goods are arranged for sale, each *Bale* or *Hogshead* would be numbered and entered on a mem. sales book, about $5\frac{1}{2} \times 12\frac{1}{2}$, specially designed (see diagram below).

No.	Gross.	Tare.	Net.	Price.	Amount.	Name.
1001 W 3	1840	15	1825	10	182 50	Viele
1002 G 10	1920	15	1905	5	95 25	Nesbit

299. The date of sale would be written at the top of each page. The first space on the left being warehouse number, also the shipper's private number and mark; the next spaces in order explain themselves, the last being for the buyer's name. The goods do not have to be described on this book as *Bale* or *Hogshead*, *Cotton* or *Tobacco*, as the weight will indicate which it is, the former usually weighing from 300 to 600 lbs., and the latter from 1800 to 2200 lbs.

300. A book would be kept for each and have a warehouse number of its own not in numerical order with the other. The bill would be made from this book, and as it would be presented to and paid by the purchaser at once, no copy is required. The money received would be entered on the debit side of Cash Book, thereby charging cash, and crediting the special *consignment* account that the goods belonged to; the name of the purchaser being entered in the space for explanations.

301. From this book the *Account Sales* would also be made according to the form herewith given, and a press copy made, as explained on page 22, then the original memoranda cancelled.

FORM OF AN ACCOUNT SALES.

Account Sales of 2 Hhds. Tobacco by P. A. Wright & Co., for account of *E. H. E. Wright, Evansville, Ind.*

Marks.	Warehouse No.	Gross.	Tare.	Net.	Rate.	Extension.	Amount.
W No. 1....	1001	1790	155	1635	8 80	143 88	
2....	1002	1620	170	1450	5 55	80 47	224 35

Charges.

Freight and charges	5 00	
Drayage	1 00	
Insurance	1 25	
Cooperage and Inspection	4 00	
Storage	1 50	
Commission @ 2½%	5 60	18 35
Net Proceeds		206 00

E. & O. E.
New York, *January 21st*, 1890.

P. A. Wright & Co.

The blank form would be the size of half sheet of letter-paper, 8 x 10.

302. From the press copy of Account Sales we make the following Journal entry.

Wright's Consignment Dr.	To Sundries	219.35	
	" Commission		5.60
	" Drayage		1.00
	" Insurance		1.25
	" Cooperage and Inspection		4.00
	" Storage		1.50
	" E. H. E. Wright		206.00

303. The *Freight and Charges* having already been charged to *Wright's Consignment* on the credit side of the Cash Book at the time it was paid on receipt of the goods, it of course does not appear in the Journal entry.

304. The above entry necessitates a Ledger account for *Wright's Consignment*, *Commission*, *Drayage*, *Insurance*, *Cooperage and Inspection*, and *Storage*.

305. If the full amount of *net proceeds* is remitted promptly, no account would be opened with E. H. E. Wright, and for that reason it would not appear in the Journal entry reducing the debit against the Wright Consignment to $13.35, the $206.00 being charged to it on the credit side of Cash Book at the time of remitting the money to consignor which would balance that account. The various other accounts belong to the *Speculative Class* and show profits.

306. It is often necessary to advance money to a shipper to control or secure his consignment, possibly before the goods have been received, in which case he would be permitted to draw at sight on Bill of Lading, which would accompany draft and show that the goods were *in transitu*.

307. In that case, the money would be charged to his account on credit side of Cash Book, which would make it necessary to credit him in the foregoing journal entry with the *net proceeds*. If he had the money any length of time to speak of before his goods were sold, he would be charged with *Interest* on the *amount advanced*.

308. In an extensive business where the consignments are large and from many shippers, and goods likely to be stored for many days, a *Consignment Book*, which would be nothing more than a stock book, would be a necessity to keep track of the goods.

309. It would be specially ruled with spaces showing *date received*, *private mark and number*, *warehouse number*, *shipper's name*, *shipper's address*, *description of goods*, *date sold*, *to whom sold*, *when delivered*, any other particulars being altogether unnecessary.

310. The conventional forms usually found in publications compiled by people who never saw the inside of a commission house are wholly impracticable and exist only in their disordered or perverted imagination.

311. It is a double page book, the left-hand page being made to show the goods received and the charges thereon. The right-hand the goods sold and the amount realized therefor, also the

purchaser's name, the difference being the net proceeds, which would appear on the left-hand page to balance.

312. The *Commission Sales* account, showing amount of all goods sold on commission, exists in theory only, in lieu of which a special *consignment* account with each consignor is kept, which will balance by concurrence of entries when the consignment is closed out.

313. The *Dry Goods Commission* business has many peculiar features, which make the accounts decidedly intricate and difficult to explain. It is generally an *office business*, no goods being kept besides a line of samples, all orders being filled at the FACTORY (usually and erroneously called the MILL, as a *Mill* is a place where *grinding* is done, and *Factory* a place where anything is *made*).

314. The commission merchant conducts his business after the mercantile methods in disposing of the goods and making collections. He receives his orders, numbers them, and enters them on order book, see page 128, makes a copy, and forwards it to the Factory, filing the original order, which must be numbered to correspond with order book and copy.

315. The *Factory* (which we will use in the third person plural, meaning those in charge of affairs at the factory) fills the orders and reports by number, also name of customer as goods are shipped; in fact, renders a bill to the *Commission Merchant*, which bill is copied on a Sales Book, one for each factory, if he represents more than one; and if he buys goods, which we will call *regular goods*, on his own account, he would also have another Sales Book for such goods.

316. The manufacturers make the prices their goods must be sold at, which are usually subject to various *trade discounts*, also a cash discount for prompt payment.

317. The Commission Merchant being allowed a percentage called *Commission* on the net amount of Factory bill, he makes all collections and adjusts all differences with the *trade*, as *customers* are called, but he is not supposed to derive any benefit apart from his regular *Commission*. Customers taking *full time* (see page 84) on their purchases before paying, naturally pay more for their goods, and give a better profit to manufacturers.

318. To adjust all these matters on the books gives rise to complication, which will require much study and retentive thought to inculcate the idea and carry it from one explanation to another to a final conclusion.

319. The manufacturer must have full benefit of the amount paid by customers, but is entitled to credit by interest on the net amount of his bill only; hence it will be necessary to adjust the difference between the long price as paid by customers and net price charged by the *Factory*.

320. An account must be kept with each manufacturer, which would be credited by the monthly footing of his Sales Book, and charged with all discounts deducted on his goods by customers as they settle.

321. An extra *Account Sales Book* must also be kept for each Factory in which to make a copy of their bills, and if they make different grades of goods, on which they allow a different rate of *Commission*, there must be a column for each grade headed by the rate of Commission it is subject to.

322. On the total monthly footing of each column the Commission would be calculated, and the total Commission on all the grades would be charged to the manufacturer's account and credited *Commission* in the following Journal entry.

(Manufacturer's name) Dr.
To Commission

323. The various dates of bills on Account Sales Book must be averaged (see rule, page 145) monthly, and average date written opposite the total of all the columns after Commission has been deducted, on which amount Interest can be figured from average date to date of settlement for the benefit of the manufacturer, who would, on the other hand, be charged with Interest on all payments on account from the date they were made (which should be averaged also) to time of settlement.

324. If, however, the manufacturers expect only the net amount of their bills, waiving all claim to discounts that would be forfeited by customers taking full time, the *Commission Merchant* makes the discount in addition to his regular *Commission*, which he would be justly entitled to for *carrying* his customers, as it is termed, until full time expired.

325. In that case no Sales Book would be needed for each Factory, but all goods would be charged on a general *Sales Book* with the *regular goods*, the total monthly footing of which would be carried to the credit side of *Mdse.*, and *Mdse.* would be charged through the Journal with total footing of Account Sales Book before Commission was deducted in the following Journal entry.

Mdse. Dr. To Sunds.
,, Commission
,, (Manufacturer's name)

The latter being credited by net amount after Commission was deducted.

326. The Manufacturers in some instances makes the price at which their goods must be retailed by the trade (patented articles especially), so that the consumer can buy the same article at the same price in any part of the country, and in any store.

327. To compass the desired result, the goods are *billed* to all purchasers at the long or retail price, and a trade discount allowed each customer according to the amount of his purchases, which would be his profit, and secured by deducting it at time of settlements.

328. To guarantee maintenance of the price, and prevent those buying in large quantities from under-selling others, the large dealers would be allowed an extra discount, on the condition that they maintain the price, the extra discount not to be deducted at the time of settling each bill, but at the end of the season, when it would become a *rebate* or *drawback*, which could all be deducted from next settlement, or if account had been paid in full, the *drawback* would be remitted to them. The penalty for under-selling regular price would be a forfeiture of *rebate*, for which reason it is withheld, and further orders declined.

329. This would necessitate an extra memorandum *drawback book* of ordinary Journal form. The customer's name being written at top of the page, an itemized account below of rebatable goods. This book would be journalized, and a *Drawback* account kept, which would be charged with total amount of rebate, and customers credited with their respective rebate.

330. Drawback account would represent a loss, and therefore would be closed into Profit and Loss at the end of the *Season.*

FORM OF SHIPPING TICKET.

(The name of the firm should be printed here.)

No.....

Date.....189.....

Name.....

Address.....

Shipping directions.....

or where to send to be packed.....

By whom charged.....

By whom packed.....

Packages to enclose from.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

The ticket would be of various lengths according to the number of items. No goods should be permitted to leave the establishment unless directed by a shipping ticket properly signed by the Entry Clerk and the *packer*. The simplicity of it recommends it in preference to a complicated form given in a recently published *scrap-book*, the *Compiler* of which never had any experience in matters of this kind.

OFFICE ROUTINE ILLUSTRATED.

The chart within shows the origin, progression, and finish of the various and special duties performed by each member of the clerical staff in a model modern office. The proprietor is seen at his desk, opening his morning mail (just delivered by the postman, who is represented as taking his departure with letter-pouch swung over his shoulder); he has assorted his letters in four lots, *Orders*, *Notes*, *Remittances*, and *General Correspondence*. On the opposite side of the room are represented three men standing at a long high desk, with stool and waste-basket beside each, and three swinging signs, one over each, indicating their different clerkships to be *Bookkeeper*, *Cashier*, and *Order Clerk*. Immediately on the right of the proprietor is seen a female *Correspondent*, seated at a typewriter; farther on, is seen the *Office Boy*, standing at letter-press, in the act of copying letters. The distribution of the work among the clerks is indicated by various darts. One arising at the *Orders* on proprietor's desk describes a graceful curve and lands at *Order Clerk;* another, arising at *Remittances*, skyrocket style, follows the other, touches at *Cashier*, and passes on to *Bookkeeper*. A third, arising at *Notes*, follows in the wake of the other two, also lands at *Bookkeeper*. The *General Correspondence* is attended to by the *Typewriter*, as indicated by another dart; after leaving her, the *Office Boy* takes charge of it to make press copy of letters, after which he deposits them in the postman's pouch, which will of course show the postman in a double capacity,—first as a *Carrier*, last as the *Collector* of mail matter. In another room above are five other clerks, all at work. Seated on a high stool on either side of a short standing desk may be seen the *Entry Clerk* and the *Bill Clerk;* near them a long counter full of goods, on the opposite side of which is seen the *Call Clerk*, holding aloft a piece of goods as if examining the mark and description, which he *calls off* to the two clerks at the desk, thus completing the *entry* and the *bill* at the same time.

These three clerks technically call themselves "a team." In large establishments there are many *teams* all at work in the

CALL CLERK
BILL CLERK
ENTRY CLERK
SHIPPING CLERK
PORTER
ELEVATOR

ORDER CLERK
CASHIER
BOOKKEEPER

same *entry room*, hence many call clerks would be speaking at the same time in mellifluous and sonorous monotones, enriched by constant *calling*, although making a perfect Babel of confusion. A stranger entering the room could not distinguish one voice from another, nor understand a single word; but each clerk hears only his respective *Caller*, whose familiar voice has a peculiarly musical intonation, by which he recognizes it even in the midst of chaotic din. After the goods have all been *entered* they are *called back*, that is, the entry clerk reads aloud his entry and is echoed by the *Caller* as he rehandles each article, to ensure that none have been omitted.

The goods are distributed on the counter in lots separated by a *shipping ticket* (for form see page 240) showing customer's name and address, followed by itemized list of articles sold to him. From this ticket the *Call Clerk* and *Shipping Clerk* learn the name and address, and the *Porter* learns what goods to pack.

On the right of this room we see the *Porter*, with sleeves rolled up and uplifted hand, holding a hatchet in the act of driving a nail in a large box over which he is leaning; near by is seen the *Shipping Clerk*, with brush in one hand and marking-pot in the other, in the act of marking the case for shipment. The connection of the work in this room with that of the main office is indicated by darts. One, arising at the *Order Clerk*, goes directly upward to the *Entry Clerk;* one arises at the *Entry Clerk* and goes directly downward to the *Bookkeeper;* another, arising at *Bill Clerk*, finally lands at postman's pouch.

It will be noticed that the work finally concentrates at the *Bookkeeper's* desk after the various other clerks have performed their part of it, thus making him Chief of the Clerical Forge.

This pen picture is true to life and shows that *we have been there;* in other words, shows the source of our inspiration.

"It seems like a dream when we recall
The misty memories back to the light;
The joys and sorrows, the faith through all
That God sets all things right;
Though the wheels of commerce must never cease,
But continue rolling onward through countless years,
The weary toilers *will* find release
Above! where there are no tears."

SEVENTH AFTERTHOUGHT.

333. At the end of the year the amount of *Accounts Receivable* shows the face value or the actual debit balance in the Customer's accounts and will be subject to a cash discount when paid, which would reduce the resources, also the *net gain* that much, but as this will adjust itself in the next year's business no notice need be taken of it at the time of closing unless parties interested at that time will not be interested in the next year's business, in which case the discount on outstanding accounts must be adjusted before closing so that the retiring parties may be made to stand their part of it, hence the following journal entry:

Discount Dr.
To Accounts Receivable.
For 6% cash dis. on unpaid accounts as per Ledger.

This will necessitate a Ledger account called *Accounts Receivable*, representing a temporary liability, but in the Balance Sheet it should be deducted from the amount customers owe which is represented by Accounts Receivable. After the books have been closed and reopened make a counter entry, reversing the above Journal entry which will set the book straight and not interfere with the regular routine.

EIGHTH AFTERTHOUGHT.

334. The inexperienced have an idea that double entry requires much more work than single entry, but this is erroneous; furthermore, the advantages of double entry more than repay for the little extra work it entails.

As an illustration we will cite an *actual occurrence* in our own experience. Our employers were doing an extensive wholesale business, and were consequently handling many notes which it was necessary to turn into *cash* as soon as consistent at a reasonable discount, and for that reason they were left in the hands of note-brokers for sale. This required no entry on the books, but a list was made of the notes like the one on page 134 in the letter to the cashier of the bank when notes were offered for discount,

and a press copy made which kept track of the notes in their hands for the time being.

The brokers were a rich firm, the result of 40 years' successful business on Wall Street, hence they were prepared to advance us nearly the face value of the notes and hold them until they found a suitable customer, rendering us a statement as soon as a sale was consummated.

One month they had advanced us $30,000, in sums of $2500 and $3000 at a time, as we asked for it. When they sent in their statement the writer compared it, as usual, with his books, and found that each item therein contained was also on the books, but he did not push the investigation far enough to ascertain if every item on the books was also on statement, presuming that a firm of their reputation was very capable of looking out for their own interest in the matter and surely would not make an omission detrimental to themselves.

Upon making our Trial Balance we found $2500 at their credit, when, *according to their statement, we owed them nothing;* hence the writer reported this fact to his employers, who said that the $2500 would probably appear in their next statement. Upon receipt of the next *accounting* that was the first item we looked for, but failed to find it, hence it was again reported to our employers, who became alarmed at what they thought was the *unreliability of our books*, which they said in this instance must be incorrect, as a Wall Street firm doing millions of dollars' worth of business was not likely to overlook an item of $2500 they had loaned.

The writer reassured his employers that *his books were absolutely correct,* as his Trial Balance proved it, and that the error was with the brokers whose *books were evidently kept by single entry*, a fact he did not know at the time but afterwards found out was the case.

They had charged us with the $2500 on their cash book which, of course, kept their cash straight, but they *failed to post it*, and having no Trial Balance had no means of detecting the existence of the expensive omission, hence they would have lost $2500 if we had not called their attention to it.

NOT INFALLIBLE.

335. A Trial Balance is *not an infallible proof*, however, that books are correct; it only assures us that we have not given a man credit by an amount that should have been charged to him, or *vice versa*. It also assures us that we did not omit part of an entry in posting. It does not even prove that we have charged (or credited) the right account in posting. As, for instance, we may have charged Jones on the salesbook with $100 worth of goods, and posted it to the debit of Smith's Ledger account which would not affect the Trial Balance, but Smith would discover this error for us upon receiving our statement by denying that he owed it. If we should credit Jones in Cash-book by any payment he makes, and post it at the credit of Smith, in that case Jones would detect our error for us by notifying us that he had paid the amount when we again dunned him for it. If we post an item in Bills Receivable that belonged in Bills Payable or *vice versa*, neither of those accounts would agree with the *Bill Books;* hence the discovery of the error. If we post in *Discount* an item that belonged in *Interest* or any other *speculative account that error would never be detected*, but would in no wise affect our profit, hence could do no harm. If the entry against Jones on Sales-book for $100 should be posted on the debit side of any *speculative account* which may be on the same page, *the error would never be discovered* unless Jones pays it unsolicited; hence the $100 would be a clear loss to us. This is a satisfactory reason for not mixing *speculative accounts* with *personal accounts* in the Ledger, thereby precluding the possibility of such an error.

NO SINGLE-ENTRY TRIAL BALANCE.

One evidence that books have been kept by double entry is the fact that a *Trial Balance* has been made at some stated time, even though it has not been repeated with periodical regularity. This evidence must be produced when a new incumbent assumes charge of books that are in arrears, or when an *expert* is called in to disentangle accounts that have been badly kept. If kept by double entry, however, and no *Trial Balance* has ever been

made, it is necessary to make one; hence the origin of the phrase *Trial Balance*, which is simply a contraction of the statement, a *trial* is made to ascertain if the Ledger will *balance*. A Single-Entry Ledger does not balance, at least it would be a strange coincidence if it did, hence it would be futile to make a *trial* to prove a state of affairs which it is safe to say does not exist.

Those who keep books by Single Entry therefore escape this monthly bugbear, which usually haunts conscientious young bookkeepers like a spectre, especially those who for any reason feel insecure in their position, the tenure which they seem to think is contingent upon a paucity of errors.

There are very few Trial Balances that are correct in their first figures, because bookkeepers who are pushed to their utmost capacity in keeping up the current work cannot observe the rule of *going slow but sure*. Those who are proverbial in getting off Trial Balance that is *right first time* are either slow workers or have but little to do, giving them ample time to *check back their work* each day. We always take it for granted that our work is correct, and do not believe in looking for errors until we have first seen the evidence of their existence, and if perchance our Trial Balance comes out right we have saved the time that would have been unnecessarily wasted in checking. We resort to that as a last expedient. Never borrow trouble, because sufficient unto the day is the evil thereof.

IN LIQUIDATION.

After all the books have been closed and the partnership dissolved, it would be mutually agreed that one partner assume charge of the affairs of the business until wound up; hence he would be permitted to sign the firm name in liquidation of its debts. For that reason the books would be reopened and continued until the assets were all converted into cash and the liabilities were all discharged, in doing which the accounts would be balanced by concurrence of regular entries, then closed in the usual way.

JOINT STOCK ACCOUNTS.

336. The growing tendency among leading concerns throughout the country to reorganize on the incorporated plan has given a new impetus to the research for information relative to this subject.

We are free to admit in the outset that our version of the matter is in many respects different from the usual stereotyped way of discussing it, but in view of the fact that this is an age of improvements, and that all are seeking *more light* and *better methods*, we are nothing daunted.

337. Formerly the little grains of wheat were thrashed from the husks by means of a *flail;* this laborious method was greatly improved by riding over the sheaves until the grains were dislodged from their cereal strongholds or petite homes; finally an inventive genius gave us the Thrashing Machine.

There was a time when *remittances* came by the slow and rickety old stage coach; now requests to *please remit* come by lightning express. We would be zealous advocates of the pioneer way in this case if the occasions could be reversed!

In years agone our way was illumined by the dim light of the candle-wick; now we think we are in the dark unless everything is ablaze with myriad electric jets.

These illustrations of course have no bearing on the subject under discussion, but they illustrate felicitously the old fashion, slow way of doing things and emphasize by contrast the onward march of improvements.

It should not be a question as to how things are usually done by *others who may not know the best way*, but how they can be accomplished in *a better way* and with less work without immolating correctness on the altar of brevity.

338. On the principle that there is strength in union and that it requires much capital to operate on an extensive scale or carry on colossal enterprises, a number of persons form a Cor-

poration called *Joint Stock Company*, with a view of combining the capital of many, the interest of each being represented by what is technically called *Shares*, thus securing the advantage of a maximum profit producing fund with a minimum individual risk, which is distributed according to the amount in *Shares* held by each.

339. There are two kinds of Stock Companies, one being distinguished from the other by the word "limited" appearing after and in connection with the corporation name and which signifies that each Stockholder's liability is *limited* by the amount of stock he owns. The omission of the word "*limited*" means that it is a full liability Company: in the event that the Company cannot, for lack of resources, be enforced by process of law to meet its obligations, action can be brought against the Stockholders individually and the amount recovered to the full extent of their entire worth.

340. The different States have different laws regulating the formation of such companies, what that law is does not come within the scope of a work of this kind to define; in fact the writer is unequal to the task of expounding the law or undertaking a forensic dissertation, the only law that engrosses his attention being the irrepealable *law of double entry*, which governs the science of accounts alike in *Joint Stock Companies* and ordinary Copartnerships.

341. A slight digression here is pardonable to establish the fact that there is *but one system of double entry* that of *debits* and *credits* known as the *Italian System*. There are many different ways of applying this system, however, each of which may be termed a ROUTINE OR METHOD. *It is supremely egotistical and fallacious for any one to state that he has a new system.*

342. *Keeping books* simply means *keeping accounts* properly debited or credited as the case requires, according *to the only known system of double entry.* What accounts to keep is *one thing*, and how to keep them is *another;* hence keeping books for Joint Stock Companies is no more difficult than for single copartnerships, as they are conducted according to the same *routine* already explained in our eighteen lessons, dif-

fering only in the manner of opening and final adjustment of the profit or loss.

343. The difficulty seems to arise in determining what *accounts to keep*, not in keeping them. There will be accounts with persons who owe the Company and whom the Company owes, the former showing *resources* and the latter showing *liabilities*, accounts for property owned by the Company also showing resources. There will also be accounts representing percentages of *gain* or *loss*.

Thus we have *four known representations: assets, liabilities, losses, gains*, separate and distinct in their nature. Each account must show definitely one of the four: the appearance of any other name on the books in the position of an account would be *nil*, hence should not be there.

344. The names of accounts are suggested by those in authority and not created at the option of the bookkeeper as explained on page 32 (see italics), unless by virtue of his technical knowledge he is appealed to to decide what the technical names are that would be most appropriate to the occasion. The accounts once decided upon the initial entries next demand attention, and they will depend upon many contingencies relative to the capital of the Concern and the plan of its organization as follows:

STOCK ALL TAKEN AND PAID FOR.

345. In this case the principal account would be *Capital Stock* and the initial entry would be made on the debit side of the Cash Book thereby *charging cash* and CREDITING the CAPITAL STOCK accounts as follows:

DR. **CASH.**

1891		folio		Discount,	Mdse.,	Sunds.	Amts.
Oct.	1		To Capital Stock.				
			On this side of the line within this space each Stock holder's name will appear, each on a line by itself with the number of shares, rate per share and amount paid by each on same line with name and the total paid by all extended here.				0000 00

This would open the Ledger with *Cash* as a *resource* and *Capital Stock* as a *liability*.

346. The Stockholders' names would not appear in this Ledger, but in the

STOCKHOLDERS' LEDGER

an account would be opened with each and credited by the number and amount of Shares belonging to him. This book is of the same general plan as an ordinary Ledger with an extra column introduced after date column for *No. of Certificate*. The usual space for descriptive matter can be used for *Number of Shares* and *to whom transferred*, the folio Column for *rate per share*, and the *Amount Column* being already properly arranged. The extra column can be ruled in regular Ledger by the bookkeeper. This book is kept by single entry and has no connection with the double entry books.

347. If part of the money is subsequently paid for a *Patent*, *Plant*, or *Franchise*, that would give rise to a new account called by one of those names, that is if it was a patented article it would be called *Patent*, if it was property consisting of real estate and improvements thereon, it would be called *Plant*, if it referred to a right conceded and acquired by law it would be called a *Franchise*.

The new account would be charged with the money given in exchange for that which it represents on the credit side of the Cash Book thus:

CASH. **CR.**

1891	Folio.			Discount, Expense, Sunds.,				Amts.		
Sept.	1		By Patent.	On this side of the line within this space describe the Patent. Extend the amount paid for it here.					000	00

The new account thus created would represent an *asset*, no liability being incurred by the transaction which simply changes the assets from *Cash* representation to the new account.

STOCK NOT ALL TAKEN.

348. This gives rise to three known quantities, viz.: *Stock sold*, *unsold* and the *total*, each of which must have a name to represent it (see 1st contingency on page 31). Hence the difficulty encountered by the inexperienced in deciding upon a name that will appropriately represent each (see paragraph 343). Some have very little regard for appropriateness in the selection of names, as it appears from their methods. True enough, a rose would smell just as sweetly by any other name.

349. According to one method which, at least, has the redeeming characteristic of originality, the Stock Sold is represented by *Capital Stock*, which is appropriate and proper, and is *credited*. Unsold Stock is represented by *Working Capital*, a grievous *misnomer*, and is also credited. It seems that nothing but a *dearth* of synonyms could suggest a *title* so inappropriate as *Working Capital* for unsold stock. The *total* of both or the full amount of capitalization is represented by *Franchise*, and is *debited*. This account is supposed to remain a permanent debtor on the Ledger, we know not why, and the promulgator of this theory has failed to enlighten us. This necessitates the creation of a fictitious account called *Contingencies*, which is *credited* when the money is received and CHARGED (debited) to *Cash*. Now what can this *Contingencies* account represent? Let us see. All *credits* must represent either a *gain* or a *liability* (see paragraph 343), and yet here is a permanent credit that means neither; it cannot mean a *gain*, as the money was not for *percentage made*, but for certificates given in exchange for it, for which reason we owe no one, and hence it cannot mean a *liability* (see 2d and 7th principles on page 33). The fact is, no such account should be on the books; its appearance there is an unpardonable infraction of the laws that govern the science of accounting.

350. Another method represents the Stock Sold by a *Subscription* account which is *debited*, and the unsold stock is represented by *Treasury Stock*, and is also *debited;* the total of both is represented by *Capital Stock*, and is *credited*.

351. The latter representation is, to say the least, incorrect, as

Capital Stock literally means the *fund* represented by *certificates that have been issued.* *Subscription* is entirely superfluous and should not be used. *Treasury Stock*, if used at all, should represent a *credit.* It will be noticed that according to the former method there is *one debtor* and *two creditors* and according to the latter method there are *two debtors* and *one creditor*, as one is just the reverse of the other, we must be permitted to think, with all due respect for each, that both cannot be right.

352. We would make the following journal entry, unless required by the management to do otherwise:

Stock Certificates Dr. To Sundries.
To Capital Stock.
For ——— Shares @ $— per share of the authorized capital of the ——— Co., sold to and to be paid for in cash at par by the following stockholders (name them here).
To Surplus Stock.
For ——— Shares @ $— per share on hand to be sold.

353. As the above Stockholders pay for their shares we would charge *cash* and *credit Stock Certificates* as follows:

DR. **CASH.**

1891	Folio.			Disc't.	Mdse.	Sund's	Amt's.
Oct. 1		To Stock Certificates	On this side of the line within this space give the name of the stockholder, each on a line by itself, number of shares delivered to each, rate per share, and amount on same line with his name, extending total here.			000 00	

Thus we dispense with the objectionable *Contingencies* account.

354. As the surplus stock is sold, and certificates are issued,

it becomes part of the *Capital Stock*, hence this journal entry.

Surplus Stock, Dr.
To Capital Stock.

For ——— Shares @ $— per share of the Surplus Stock sold to and to be paid for at par by the following Stockholders (name them here).

As the new Stockholders pay for their Shares and receive their certificates, we would *charge* cash and *credit Stock Certificates* as before.

When the *Surplus Stock* is all sold and certificates are issued for it, both the *Stock Certificates* and the *Surplus Stock* accounts will balance and the *Capital Stock* will show a credit for the full amount of capitalization.

355. In justification of our entry we call attention to the fact that the certificates of Stock are the property of the Company and therefore *assets*. The full amount of authorized Capital represented by these certificates is a liability either while they are on hand subject to sale or as they disappear by issuance to the Stockholders. By our entry we dispense with the superfluous permanent *Franchise debtor*, also the equally superfluous *Subscription* account, and substitute for *Working Capital* a name that is far more appropriate, because it shows upon its face what it represents—surplus Stock, because it shows *excess* beyond what is wanted of the Stock at present, whereas *Working Capital* misleads us or implies as a natural sequence that the *Capital Stock* which is supposed to be the real working Capital, is to be idle. Our *Capital Stock* account shows the actual amount for which certificates have been issued and represents the profit producing fund on which dividends will be declared.

356. If the patentee or any vender accept Stock in lieu of their right or transfer to the Company that would require an entry in the journal as follows:

Patent (Plant or Franchise) Dr.
To Stock Certificates.

[Explaining here the number of Shares that were given in exchange for it.]

No new liability has been or can be incurred in disposing of the Certificates, but the assets change in their representation.

357. To set at rest the mooted question whether Capital Stock

should show authorized capital or paid up capital, it is only necessary to take into consideration the fact that keeping books means *recording facts*, and as *authorized capital* and *paid-up capital* are both established facts, both must be represented on the books in some shape; not to do so would be to pervert the record to that extent. The *Capital Stock* account, however, does not necessarily show either *paid-up capital* or *authorized capital*, but the actual amount for which Certificates have been issued and which may not be paid for at the time of opening the Capital Stock account.

STOCK ALL TAKEN AND TO BE PAID BY INSTALLMENTS.

358. This would require a journal entry as follows:

Stockholders, Dr.
To Capital Stock.

Give the number of shares, the name of the Company, rate per share, followed by each stockholder's name and the number of shares sold to each; then explain how the payments are to be made—that is, how many installments and when they are due.

359. Then in the Stockholder's Ledger each stockholder will be charged with the number of shares subscribed for. It is certainly better to call the account *Stockholder's* than to call it *Subscription* or by any subterfuge, as it will show upon its face the actual debtors.

360. When the installments are paid an entry is made on the debit side of the Cash Book as follows:

Dr. **CASH.**

1891	Folio.			Disc't.	Mdse.	Sund's.	Am't.
Oct.	1	To Stockholders	On this side give the number of Installment, followed by each stockholder's name, each on a separate line with amount paid by each on same line and total paid by all extended here.			000 00	

361. When the installments have all been paid the *Stockholder's* account will balance and as each *Stockholder-ledger* account will be credited at the time each payment is made their accounts will also balance with last payment and then should be closed by underlining and the full amount brought down on the credit side of each account duplicating the first entry on the debit side. There could be no advantage in opening three or four *Installment* accounts as *debtors* when the stockholders are the debtors, and their account can just as well be credited by the various payments as they are made as to be credited by Installments through a journal entry.

REORGANIZING AS A STOCK COMPANY.

362. When it is desired to change an ordinary copartnership into a joint stock company the books of the old concern must be closed and the profit or loss adjusted according to the rules on pages 43, 44, and 45, then the *assets*, *liabilities*, and *net capital* must be transferred to the new books, requiring one journal entry each on the old and new books. See THIRD ENTRY.

363. We assume that the firm of P. A. Wright & Co. reorganize as The Noble M'f'g Co. with an authorized capital of $25,000 divided into 250 shares of $100 each, 200 of which have been *placed* and are to be paid for, half in cash and balance within 30 days, as follows: P. A. Wright, 50; T. P. Noble, 50; W. D. Showalter, 25; A. J. Kinmonth, 25; Emerson De Puy, 25; Joseph Sheridan, 25; the other 50 remaining unsold and in the treasury. We would open the new books with the following journal entries:

FIRST ENTRY.

Stock Certificates, Dr. To Sundries..	$25000	00		
To Capital Stock.....			$20000	00
For 200 shares of the Capital Stock of The Noble M'f'g Co., to be paid for at par value, $100 per share, distributed as follows:.....				
P. A. Wright, 50, W. D. Showalter, 25,				
Jos. Sheridan, 25, T. P. Noble, 50,				
A. J. Kinmonth, 25, E. De Puy, 25.				
To Surplus Stock.....			5000	00
For 50 shares unsold stock.....				

SECOND ENTRY.

Stockholders, Dr.	20000	00		
To Stock Certificates.			2000	00
For 200 shares of the Capital Stock of The Noble M'f'g Co. sold at par, $100 per share, to be paid in cash as follows:				
P. A. Wright.....50 shares @ 100, $5000				
T. P. Noble.....50 " @ 100, 5000				
W. D. Showaller.....25 " @ 100, 2500				
A. J. Kinmonth.....25 " @ 100, 2500				
J. Sheridan.....25 " @ 100, 2500				
E. De Puy.....25 " @ 100, 2500				

As the stockholders pay the money it would be entered the same as in paragraph 360.

364. In transferring the accounts from the old books of P. A. Wright & Co., as shown by their Balance Sheet, page 117, to the books of the new Company we would make the following Journal Entry:

THIRD ENTRY.

Sundries Dr. To Sundries:				
Accounts Receivable	$1382	35		
Bills Receivable	100	00		
Cash	155	50		
Mdse	7300	00		
Office Furniture	245	00		
To P. A. Wright			$1510	42
" T. P. Noble			1007	08
" Accounts Payable			6165	35
" Bills Payable			500	00

The above being a correct statement of the affairs of the late firm of P. A. Wright & Co., which have been transferred to and assumed by The Noble M'f'g Co.

365. In order to close the old books of P. A. Wright & Co., we would make a Counter Entry to the above, that is reversing the debits and the credits, thus dispensing with the superfluous account of *The Noble Mfg. Co.* on the old books, having but one debit and one credit which would fulfil its purpose and then it would be practically *retired* by underlining.

FOURTH ENTRY.

Sundries Dr. To Stockholders,		2,500.00.
P. A. Wright, 15 Shares @ $100,	1,500.00,	
T. P. Noble, 10 Shares @ $100,	1,000.00—	

For their interest in the old concern of P. A. Wright & Co., the balance of which will be paid them in cash. After posting this entry also the entries that will be made on the credit side of the Cash Book when P. A. W. is paid $10.42 and T. P. N. is paid $7.08, their accounts will balance and should be closed on the main Ledger as they appear on the *Stockholders' Ledger* with the others. This will leave a debit balance of $17,500 in the Stockholders' account and show the amount of actual cash to be paid in, which when done will balance that account, after which it should be closed.

366. We believe it is the custom according to other *methods* to make the two following entries in closing the old books:

The Noble Mfg. Co. Dr. To Sundries	9182 85	
" Acct's Receivable		1382 85
" Bills Receivable		100 00
" Cash		155 50
" Mdse		7300 00
" Office Furniture		245 00
Sundries Dr. To The Noble Mfg. Co.		9182 85
P. A. Wright	1510 42	
T. P. Noble	1007 08	
Acct's Payable	6165 35	
Bills Payable	500 00	

367. Thus it will be seen that in posting it necessitates the superfluous account of The Noble Mfg. Co., in which there can be no possible advantage as the balance of the Entry is conveyed to its proper places just as it would be according to our THIRD ENTRY. The intelligent reader can easily decide which method is apace with the lightning express and in the light of electricity, *ours* or the usual stereotyped method.

REDUCING OR INCREASING CAPITAL STOCK.

368. All companies are managed by a board of directors who draught their own by laws, which must be in accord with the laws of the State. When it is decided to increase or decrease the Capital Stock, there is a call meeting of the board of directors.

If the Noble Mfg. Co. conclude to cancel the certificates for the 50 Shares of unsold Stock, thereby reducing their Capital to $20,000, the following Journal entry is in order:

Surplus Stock, Dr.,		5,000.00
	To Stock Certificates,	5,000.00.

or if on the other hand they conclude to increase the Capital to $30,000, we would reverse the above entry, in which case there would be 100 shares remaining in the treasury for sale, and represented by a debit balance of $10,000 in the *Stock Certificates* account.

BONDS AND MORTGAGES.

369. If at any time the Company executes a mortgage on its property to secure the payment of borrowed money it would also be accompanied by the company's note, and to keep it apart from the regular Bills Payable account a *Mortgage* account would be opened and credited by the amount received requiring an entry on the debit side of the Cash Book, thus:

To Mortgage (giving name of mortgagee here.)

370. If the Company issues interest-bearing bonds and places them in the hands of a trustee for sale, that would give rise to a *Bond* account which must be credited, also an account in the name of the trustee which must be charged in the following Journal Entry.

(*Name here*) Trustee Dr.
To Bonds.

Describing here the bonds left in his custody.*

To call the account *Trustee*, simply, as suggested in other publications would be inadequate, partaking of the nature of an

* A better way is to make no entry when the Bonds are left with the Trustee, but treat the matter the same as in case of notes in paragraph 334 until the Bonds are sold, then charge *Cash* and credit *Bonds* with the money.

algebraic quantity, that is the name of the custodian of the bonds would be unknown when it became necessary to communicate with him, hence his name must appear in the blank space shown in the entry and thereby become part of the Ledger title.

371. As he turned in money for the bonds his account would be credited requiring an entry on the debit side of Cash Book, thus—(Dr. Cash at top of page. See paragraph 345).

To —— Trustee (giving description of bonds sold here).

As the bonds matured and were paid the *Bonds* account would be charged (debited) requiring an entry on the credit side of the Cash Book thus—(Cash Cr. at top of page. See paragraph 347).

By Bonds (stating here what bonds were redeemed.)

In fact the *Bonds* account would be treated in every respect the same as *Bills Payable.*

STOCK SOLD AT A PREMIUM OR BELOW PAR.

372. If part of the surplus stock is sold above par, *Sinking Fund* gets the benefit of the premium through the Cash Book, but we must first make this journal entry to keep Capital Stock straight.

Surplus Stock, Dr.
To Capital Stock.

—— shares of the Capital Stock sold at $—— for cash to the following Stockholders (name them).

373. Then, upon receipt of the money, we make two entries in the Cash Book as follows:

Dr. **CASH.**

1891	Folio.			Disc't.	Mdse.	Sund's.	Am'ts.
Oct.	1	To Stock Certificates	Par value of — shares sold to —— @ $—— per share.....			000 00	
		" Sinking Fund	— per cent premium on shares above.			00 00	

374. If sold below par *Sinking Fund* would have to stand the loss by being charged with the discount on the credit side of Cash Book as though that much had been refunded to the buyer. First make the same journal entry as above (except as to explanation, of course), because Capital Stock must show par value, which throws the Surplus Stock into actual Capital Stock when the certificates are issued; then, upon receipt of the money, it would be entered on the debit side of Cash Book as though full face value of the certificate had been received, in order to keep the *Stock Certificate* account straight, explaining, of course, that —— per cent was deducted and entered on credit side of Cash Book as follows:

CASH. **Cr.**

1891	Folio.			Disc't.	Expense.	Sund's.	Am'ts.
Oct.	1	By Sinking Fund	—— per cent discount on —— shares sold to ——. See other side.			00 00	

STOCK GIVEN AWAY.

375. If part of the Surplus Stock is given away, that would require two journal entries as follows:

Sinking Fund, Dr.
To Stock Certificates.
—— shares of the Capital Stock of —— Co. given to ——.

Surplus Stock, Dr.
To Capital Stock.
—— shares of Surplus Stock given to ——. See above.

Sinking Fund was provided for emergencies, hence can be made to cover a multitude of things.

NOMINAL AND ACTUAL CAPITAL.

376. Suppose a Company is formed with a nominal capital of $100,000, but an actual capital of only $75,000; that is, it is agreed that upon payment of 75%, certificates for full amount are to be issued, stock all taken by the incorporators. This gives rise to two accounts, one representing resources and the other liabilities, which are disposed of in the following simple journal entry:

Stockholders, Dr.,	100,000.00.	
To Capital Stock,		100,000.00.

Giving here the names of all the Stockholders and the number of shares taken by each, stating that 75% only is to be paid in.

When the $75,000 is paid it will be entered on the debit side of the Cash Book and reach the credit side of the *Stockholders'* account in the Ledger, leaving a debit balance in that account of $25,000 representing *nominal assets* until finally extinguished by a credit from a *sinking fund* that would be provided out of the profits of the business.

377. It is amusing to witness the unskilled *fencing with entries* indulged in by others, involving numerous unnecessary accounts, in disposing of this matter. For example, one following the beaten track of his predecessors suggests charging the 75% to a *Subscription* account and the 25% to a *Commission* account, the former being credited and balanced when the $75,000 is paid, the latter remaining a *mysterious debit* of $25,000—necessarily mysterious because of the inappropriateness of the name adopted to represent it, making it appear as a *loss* when it is in fact an *asset*.

378. The Stockholders owe themselves the $25,000, and eventually pay it indirectly out of accrued profits which would have been $25,000 greater and paid to them in dividends had no *sinking fund* been created; hence it is better represented under the heading of *Stockholders'* than a subterfuge or misnomer.

There could be no possible advantage or object in having two debtors in this matter.

DIVIDEND AND SINKING FUND.

379. DIVIDEND is a *pro rata* division of profits among Stockholders. The *rate per cent* is determined by multiplying the sum to be distributed by 100 and dividing the product by the amount of Capital Stock; then by multiplying the amount of Stock held by each by the rate, will give his *pro rata* of the profits. SINKING FUND is a special sum set apart from the profits for special purposes or possible emergencies.

380. The universal custom again ushers us into a labyrinth of superfluities at the time of closing Joint Stock Books. It admits us at *Profit and Loss*, then conducts us through the winding passage of many unnecessary entries to reach an exit at *Surplus*. We refuse to thus mislead our readers, but rather assist them to make their escape at the place of entrance.

381. In other words after the *Speculative* accounts have all been closed into *Profit and Loss* according to rules on pages 43, 44 and 45, we argue that *the matter should rest there* until the amount of dividend is decided upon, and not be carried into a *Surplus* account, which would certainly be a *surplus* proceeding. If the credit side of the *Profit and Loss* account is the greater, it will show a *surplus* and is properly represented where it is as much so as if it appeared under a *Surplus* heading. If the debit side of *Profit and Loss* is the greater it would show a *deficit*, and is also properly represented where it is. A distinguished Secretary of the Treasury once said, it was easier to handle a *surplus* than a *deficit*.

382. That part of the *surplus* or *profits* which is needed to pay dividends should be carried to the credit side of a *Dividend* account and the balance of the *surplus*, which was to be held in reserve for emergencies such as making extensions to the premises, repairing, etc., should be carried to the credit side of a *Sinking Fund* account (or in this case *Surplus account* would be just as appropriate) which would require the following Journal Entry:

Profit and Loss Dr. To Sundries:
" Dividend,
" Sinking Fund.

To balance Profit and Loss account.

383. As the dividends are paid it would be entered in Cash Book as follows:

CASH. CR.

1891.				Disc't.	Expense.	Sund's.	Amt's.
Oct.	1	By Dividend	On this side of the line each Stockholder's name will appear on a line by itself with the amount paid each within this space extending the total here....			000 00	

384. It is not at all necessary to carry their names to the debit side of *Dividend* account, as the original entry will show their names. After all have been paid this account will balance and should be closed by underlining. There will be no debit in the *Sinking Fund* account until part or all has been appropriated for some purpose for which it was provided.

385. If no dividend should be decided upon before another closing, even then no *Surplus* account is needed to keep the profits of the previous year separate from the profits of the next year as the *Profit and Loss* account will show at a glance by its footing the two results just as clearly as if carried to the superfluous account whatever it may be called.

386. If another dividend should be reached before previous ones had been disposed of, we argue that it should be carried to the credit of the *Dividend* account already opened, and not to another designated as *Dividend No.* 2, unless the management requires it. We can conceive of no possible advantage in having more than one account to represent a fund set apart for one special purpose.

We once succeeded a man in a position who was keeping the books of two firms at his desk, and we were amused to see that he also kept two Cash drawers, one for each firm. When he could not make change from one he would borrow from the other and often forget to pay it back. The result was he never could keep either straight. When he turned the keys and money over to us he was horrified to see us dump the contents of one drawer

into the other, and he declared that we would never be able to keep our Cash straight. We never experienced any trouble, however, in proving our Cash. Keeping two or three *Dividend* accounts seems to us to be about as sensible as keeping two Cash Drawers. In case of *Preferred Stock* and *Common Stock* one Dividend account for each is necessary.

387. If the Sinking fund should become greater than there was necessity for, it would revert to *Profit and Loss*, or more directly to *Dividend* account, whence it would be distributed among the Stockholders through another declaration of profits, in which case the following Journal Entry would be proper:

Sinking Fund Dr.
To Dividend.

WATERED STOCK.

388. *Water*, in one sense of the word, means to overflow; hence the phrase *Watered Stock* to represent the excess of Stock over authorized Capital—to issue which is a breach of the law that gave the Company *being* but in perfect harmony with *Nature's first law—self-preservation*, or, in this case, *self-interest.* The object of watering stock is to *increase the divisor* and *diminish the rate* (see paragraph 379), to prevent showing enormous profits, and thus keep within the limit prescribed by law without forfeiting to the State any part of the profit.

PREFERRED STOCK AND COMMON STOCK.

389. A business that had been very prosperous and promised continual large profits would incorporate with a very large Capital Stock and thus keep within the prescribed limit, whatever it may be in the State, under the laws of which the Company is formed.

In disposing of the Stock in this case the incorporators can safely hold out the inducement of a guaranteed percentage on—say half of their Stock, which would be entitled *Preferred Stock* and the other half would be denominated *Common Stock.* In

declaring dividends, therefore, the former must be provided for first by setting apart enough of the profits to cover the preferential percentage, after which the *surplus* profits would go toward a dividend on the *Common Stock*. In the event that the profits of any year do not even cover the *guaranteed percentage* on *Preferred Stock* the shortage would stand charged against the net earnings of the Company prior to all rights of the Common Stock; that is, it must be made good out of the succeeding year's profit over and above the guaranteed percentage of that year, before the *Common Stock* dividend can be declared. The Preferred Stock is also entitled to rank against the property and assets of the Company in preference to the Common Stock. Those who purchase Common Stock understand the conditions and are at a disadvantage in case the business does not prosper, but it is a good risk which they think worth taking as the chances are that money thus invested will bring a larger rate of interest than other investments attended by greater risk.

390. In fact it is often the case that the Common Stock pays the best percentage—that is, when the net earnings are so large that the surplus, after providing for the Preferred Stock, is sufficient to afford a larger dividend on the Common Stock. For example, we assume that the net gain of the Company will justify a 20% dividend on the total Capital Stock and that 8% of it is required to satisfy the Preferential dividend; the remaining 12% goes to the Common Stock. In opening books where there are two kinds of stock two *Stock Certificates* accounts would be necessary, one for each kind, also two *Dividend* accounts.

STOCK BOOK.

391. This book is made on the plan of a Check Book, usually three or six certificates to a leaf, with a detachable part called *Stub*. The language in the certificate will vary with different companies, but the stub should always show *No. of Certificate, Date issued, No. of Shares, To whom issued, Address*, there being one line for each. It is not at all necessary to have in the printed form a line for *transfer number*, or *date of transfer*, as

it is better to endorse these facts crosswise of the stub *in red ink* if the certificate should be returned for cancellation preparatory to issuing new certificates in case of transfer. The old certificates should be marked cancelled *in red ink* and *filed* away same as cancelled checks—it would certainly make a dilapidated looking book to paste them on the old stub as some do. Ordinary blank books will do for other auxiliaries.

IMPORTING BUSINESS.

392. In this business we buy our goods in another country; hence they are *billed* to us according to the monetary system prevailing in the country whence they were imported. That is, goods bought in England are *invoiced* in £. s. d. Invoices from Germany are rendered in *marks*, and from France they come in *francs* and *centimes*. Upon receipt of the foreign invoices we reduce them to their equivalents in our money, adopting a uniform rate as an approximate value because of the impracticability of getting the exact rate at which we will buy *exchange* when remitting, owing to the constant fluctuation in the price of *foreign exchange*, as it is called.

393. For example we assume that we get an invoice from E. L. Nelson, London, for £125 9s. 6d., which is equivalent to $610.97 at our uniform rate ($4.87); but when we go to foreign exchange brokers to buy £125 9s. 6d. for remitting to E. L. Nelson, it costs us $612.27, as we must abide by their rates; thus it will be seen that the account of E. L. Nelson in foreign money will balance, but in our money there is a difference of $1.30 in favor of the debit side. Differences of this kind should be adjusted monthly, at least when the foreign money balances the account should be made to balance throughout by the following journal entry:

Mdse. Dr	1.30	
To E. L. Nelson,		1.30

394. In an importing business, therefore, our Ledger should be specially ruled with one more spaces on each side next to the

amount columns for the foreign figures. The space need not be in columns; in fact, the usual space for descriptive matter can be utilized, making an ordinary Ledger answer the purpose, as follows:

Dr. **E. L. NELSON,** **Cr.**

1891		£.s.d.			1891		£.s.d.		
Sept.	1.	To Cash...125.9.6	3	612 27	Aug.	1.	By Mdse...125.9.6	1	610 97

395. This kind of business gives rise to a *Duties* account which is tributary to the *Mdse.*, as the duties are a part of the cost of the goods. Hence, at the end of the season the *Duties* account must be closed into the *Mdse.* either by a transfer in *red ink* or by making the following journal entry:

Mdse. Dr.
To Duties.

The figuring of duties is not entrusted to the bookkeeper as a rule, owing to the complicated rates which vary according to the different kinds of dutiable goods. The proprietor usually looks after the duties, or it is attended to by Custom House brokers who make it their business.

396. All goods sent to or received from European countries must be accompanied by a *duplicate invoice* which is retained by the *Custom* authorities at the port of delivery. If we receive an invoice without duplicate, it becomes necessary to make a copy of it before we can get the goods out of the Custom House.

OUR REWARD.

397. We have consecrated many years to the cause of bookkeeping, and although our bank account is very unsatisfactory *our reward* will be ample if through the instrumentality of our book we may be permitted to lighten the burden of the overworked and underpaid man at the desk with whom it is often the case of *a heavy load and a sorry team.*

A BOOKKEEPER'S PREROGATIVES.

A bookkeeper likes a hearty slap on the shoulder unawares, especially when engaged with pen and ruler over the Ledger.

His functions being altogether more ornamental than useful, he will feel offended if you confine yourself to business; his favorite topic naturally remains the weather, but he also keenly relishes politics, your own inventions, the cunningness of your dogs and children, and the general business of mankind. Do not omit the slightest details in your narration; he is eminently fond of them.

You will always be surest of his attention when he is making out a long statement for somebody, by drumming with hands and feet to retard his last train. When you catch him footing up a heavy column, just give him a chance for rest by confidentially whispering a nice string of assorted anecdotes into his ear, the older and longer the better, and he will never forget you! To fire his imagination let him smell your breath and other exhalations, by leaning well over him; he doesn't feel so lonely then, poor fellow!

Don't neglect to deposit your cigar stumps, ashes, and dismissed quids on and around his inkstand; it will surround him with an atmosphere of sociability, which makes him very proud.

A bookkeeper being a gentleman, you should never be ashamed to ask him for the loan of his umbrella, rubbers, pencil, or money, though he dislikes being troubled for less than two dollars at a time, and prefers round sums. Put the pencil into your mouth before using it, to assure the owner that you consider him your equal.

Leave packages with him, to be called for in a fortnight or to be sent somewhere with a verbal message, and he will feel flattered by your confidence; never mind making the address distinct or the message precise; he will fix it all right for you, having absolutely nothing else to attend to.

A bookkeeper is an enthusiastic buyer of tickets for fairs,

picnics, balls, and *private* moonlight and fishing excursions; you will tickle his commercial vanity by offering them at a reduced figure by the dozen, *confidentially*.

If you have occasion to receipt a bill or do other writing at his desk, be sure to use his red-ink pen, as it always looks cleaner and fresher, and it affords him an agreeable surprise when he again uses the red ink to find it has been steeped in black.

No difference what your calling in life has been, if you are without means, although looking mean enough for anything and your looks do not belie you, approach him and say: "I am an old bookkeeper in hard luck!" He will *take warning* by your awful fate, and you can *take time* by the forelock and *seek* safety in flight before your departure is unduly accelerated by a sudden precipitation through the window.

METHOD.

It is *method* that provides a place for everything and puts everything in its place; it has a way of doing everything and does everything the right way; it is a safeguard against disaster and is very essential in bookkeeping. For instance, it matters not which side of an account is considered first, as both sides must be added to get the difference or net result, which is the objective point; but a methodical person would add the *debit* side of certain accounts first and the *credit* side of certain other accounts, depending altogether upon the nature of the inquiry or information sought. If it is desired to know how much one owes us, we would figure the *debit* side of his account first, because that side furnishes the information; on the other hand, if it is a question as to how much we owe another, the *credit* side would be considered first for the same reason. If the inquiry is as to how much we have *gained*, the *credit* side of the account, representing *gain* or *loss*, would be *reckoned first*, thereby going

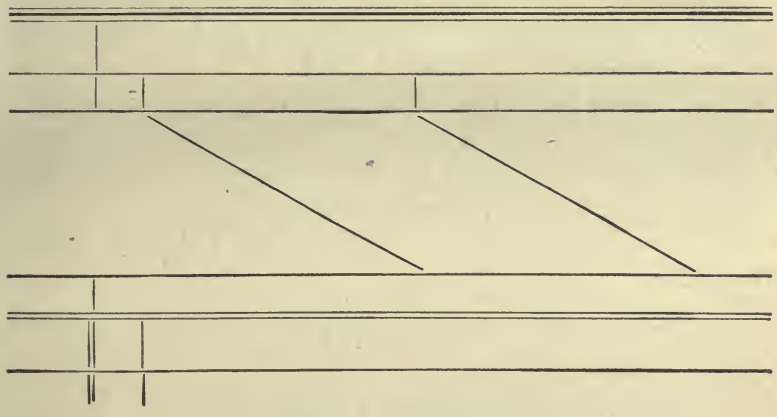
directly to the point in question; the reverse would be true if it was a question of loss.

In proving the *cash* or posting from the Cash Book *method* would impel us to consider the *debit* side first, as cash must be received before it can be paid out, and we are prone to *begin at the beginning* and would be extremely averse to *crawfishing*, that is, going backward. The *debit* side of Bills Receivable would be added first and the *credit* side of Bills Payable for the same reason, that is, *begin* at the *beginning*. In summing up the gains and losses for the year we would turn our attention to the *credit* side of the *Profit and Loss* account *first*, it being more agreeable to contemplate our gain than it would be to know our loss. Defer the evil as long as possible. In recapitulating the resources and *liabilities* we would irresistibly begin with the former, because it is an inherent principle in the nature of the *genus homo* to be more concerned about our own than that which belongs to another.

UNIFORMITY.

All superfluous lines, that is, lines not written upon, above the closing on either side of an account should have an oblique red line drawn across them, *beginning on the left* at the bottom line, *terminating at the right* of the paper where the last line used intersects the first perpendicular line. As a matter of uniformity and good taste all oblique lines appearing on one page should run in the same direction, that is, have the same angle but not necessarily terminate at the same perpendicular line; therefore, after the first oblique line occurs it establishes the angle, and the terminus of all other lines on that page will be governed by the depth of the space to be covered. If a very deep space occurs after the angle has been formed, it will be necessary to rule more than one oblique line across it, the terminus of the additional cross lines being at the right of the space, of course, at the same line where the first one above it

began on the left. See diagram below representing the credit half of a Ledger page inclined to the right:



UP-END DOWN.

In performing the same task for years, a person having a philosophical mind will in time conceive a plan for doing it with the least physical exertion. Archimedes said, "Give me a fulcrum on which to rest a lever and I will move the world."

If we see ponderous books resting in the safe with the *north end* upward, we know that the person who placed them there was neither a philosopher nor an experienced bookkeeper; we know, moreover, that in removing them to the desk he will lift them bodily into position by main strength and awkwardness (just as the hen cracked the hickory nut [?]).

Experience has taught us to put them away *south end* (that is, the end next to us when in use) upward; then, by taking them by the latter end with a swinging motion, we easily land them on the desk in the right position for use.

The moral is, *put the book away up-end down.*

IMPERFECT ARTICULATION.

In mammoth establishments there are many departments, especially in the dry-goods business, each of which is represented on the Sales Book by a letter—A, B, C, D, E, etc., and as the last four sound very much alike when imperfectly articulated many errors would arise in calling; hence to prevent such errors the departments are called by their numerical location in the alphabet. For instance, the call clerk would say *fourth letter* instead of "D," *second letter* instead of "B," and so on with others except A.

CONTINGENT LIABILITY.

Anything said or done in the name of a firm is regarded as an expression or act of the firm; for that reason employés are not entrusted with correspondence involving delicate or important matters. Again, anything said in our presence derogatory to a firm by which we are employed, although it may be culpable and indefensible, we would resent as a personal affront or insult.

Fidelity is the noblest trait of human beings.

Signing the firm name by an employé would be impotent in effect, in other words, not binding on the firm, if it is repudiated, unless he is empowered with attorneyship. If, however, any member of a firm subscribes or endorses the firm name to or on an obligation it is binding alike on each and all the members thereof, and for that reason a stipulation is usually made in the copartnership agreement that *neither partner will sign or endorse in the name of the firm without the consent of all its members.* Endorsements of this kind would constitute a *contingent liability* having no representation on the books; hence the firm could be deeply involved in debt, or, in fact, be totally insolvent and yet seem to be rich because opulent in resources. There is an un-

avoidable *contingent liability*, however, that should not be lost sight of, although *without special representation on the books*—that is, *endorsed notes which have been discounted* or otherwise negotiated. In the ordinary course of business, liabilities of this kind are small and can easily be ascertained by reference to the Bills Receivable book. If, however, the nature of the business should depart from the ordinary by the discounting of many notes having long time to run, whereby the amount under discount would necessarily grow into a prodigious sum, there should be a Ledger account to represent it. Such an account could appropriately be called ENDORSEMENTS or CONTINGENCIES. When notes are discounted or otherwise disposed of, instead of crediting *Bills Receivable* it would be better to credit *Contingencies* (or *Endorsements*) account, and as fast as the notes become due and it was assured that they had been paid, *charge Contingencies and credit Bills Receivable* through the Journal as follows:

CONTINGENCIES, Dr.
To BILLS RECEIVABLE
Explaining here what notes are paid.

The credit side of the latter account in that case would show notes actually paid, the debit side would show amount *not paid*, but not necessarily on hand, as they may have been negotiated. The credit side of the *Contingencies* account would be the greater if there is a difference and would represent a *contingent liability*.

The large financial institutions of the eastern continent, also of this country, look upon this as an important matter, as evinced by the fact that it is given prominence in their annual statements.

It dawned upon our mind early in our experience that this was important, but evidently it had never occurred to others with whom we had come in business contact either as our employer or fellow bookkeeper. It was never agitated by us, as our field of operation at that time was limited and liability of that kind was small. As a youth we did not have the courage of our conviction to herald a new theory which probably would not

meet with favor; furthermore, we knew that "No man is a prophet at home." *

Liability of this kind has never been alluded to by any other writer on the subject of bookkeeping. In treating of it here we bring it to the light for the first time, a fact in perfect accord with the entire contents of our book, which is the result of the writer's own experience of a quarter of a century in the midst of the smartest figuring heads of the commercial world, and not the result of interviews with a few old fogies, whose opinions have no weight because they are not backed up by judgment or reason. One must be able to give a reason for the hope that is within him if he would gain credence.

ERASURES.

A rule of the old school is, *never make erasures;* with us *that rule* is *the exception*, that is to say, we always make erasures when the occasion requires them. It is true that an erasure is an evidence of fraud in the eyes of the law, hence a record in which there is an erasure would not be accepted as evidence in a court of justice. If the old school makes erroneous figures it draws a pen through them and makes correct ones above; if it has blots on its books they are permitted to remain. We do not keep books in anticipation of a law-suit, hence we do not see the necessity of permitting our books to remain defaced in order to be prepared for that which may never take place. Furthermore, we believe in taking the bull by the horns,—in

* Digressing from the main subject, we may add that this is a true saying and goes to show that merit is not everywhere rewarded. For example: John Howard Payne was of little consequence where he was known, because he was homeless and friendless, but he was famous abroad. He knew nothing about *home, sweet home,* from experience, but by the promptings of the inner man, and it inspired him to write the most popular song that was ever written, and which is still sung throughout the civilized world—a requiem chanted in every tongue.

other words, meeting the issue squarely. Consequently, if we make erroneous figures we *erase* them and substitute correct ones in lieu thereof. If by accident or otherwise our books become blotted, our remedy for such an *eyesore* is *erasing*. The necessity for erasures is of daily occurrence, whereas the necessity for a legal tilt may never occur. *It is sheer nonsense to subordinate the pressing importance of issues already upon us to improbable, but possible, emergencies, probably far remote.* We would dislike to make erasures on the cash book, as it might arouse suspicion in the minds of our employer that we were tampering dishonestly with his money. One cannot be too careful in handling money belonging to another; although perfectly honest, circumstantial evidence may condemn him to a felon's cell.

There are two instances in which we would not make erasures—one is in the Trial Balance and the other is in the Balance Sheet. The latter should be rendered without a blemish or imperfection, and if an error or blot occurs during its preparation, even near its completion, we would destroy it and begin anew.

Every good business man expects a Trial Balance between the 1st and 10th of each month, and when it is not forthcoming he inquires for the cause of delay, and if informed that it is due to error he then becomes anxious as to the nature and extent of such error or errors. Hence we would not erase the erroneous figures in a *Trial Balance*, but cancel them by a red line, and place the correct figures over them or wherever they belonged, thus showing wherein the error consisted and that it was honestly corrected, and that the *Trial Balance was not forced.* The comments relative to erasures have reference to work done by ourselves and do not apply to work performed by others. If we were to assume charge of books that had been kept by others and should find errors in them, we would not erase but cancel by a red line, so as not to destroy their identity or discernibleness, and place the correct figures or words over them.

We do not recommend erasing, however, as a *fine art* in the face of the following good story, viz.:

Three clerks applied for a position as bookkeeper and were examined on erasing only, when the following colloquy ensued:

Old man to first applicant: "How are you on erasures?" First applicant: "I can make a passable erasure, sir, but it may not be satisfactory to a connoisseur."

Old man to second applicant: "Young man, how are *you* on erasures?" Second applicant: "I am *out of sight* (his way of expressing a superlative degree of expertness); that is, I can make an erasure so that it would require a microscopical observation to discover it." Old man, somewhat impressed by this forcible slang, could not resist the overpowering impulse for getting in his slang too, and said in the language of the club: "Your skill ought to make you a *cinch* or an *air tight*, and you ought to get all the money if the game last long enough, but for you the game is now closed. You may *cash in* and retire."

Old man to third applicant: "Well, sir, how are *you* on erasures?" Third applicant: "I never make erasures. I have the reputation of being very correct, hence have had no experience in that respect." Old man: "You are the man I am looking for. Consider yourself engaged."

A MISUSED ABBREVIATION.

The letter "a" encircled thus, @, represents the four words, *at the rate of*, and is the brief way of writing them. The monosyllable "at" has another significance and is as brief in itself as the *commercial* or encircled @, but is in nowise synonymous with it, although by the great majority even of experienced people the abbreviation "@" is used incorrectly for "at." The very fact that the former is not briefer than the latter proves that we are right in the premise. A short word should never be abbreviated, in fact no word, if space will admit of its being written in full. There are many words in *brevier* abbreviated throughout our *eighteen lessons*, but that is done to show the

necessary abbreviations to resort to in writing so as to get them within the limited space.

THREE DAYS OF GRACE.

The long-established and time-honored custom of allowing notes and acceptances three days longer to run than the specified time has recently been abolished in the States of New York and New Jersey.

It was deemed no longer wise or necessary to continue it in the present age of rapid transit, as the great facilities for communicating with distant points now more than counterbalance the advantage gained by the *three days of grace* at the time they became a law.

ANOTHER SO-CALLED "SYSTEM."

We refer to a new way of conducting accounts. It impresses only inexperienced bookkeepers and novices in such matters, but we can see nothing in it to even suggest or justify such an appellation. It leads us to infer that we may feel secure from some unspeakable danger and that no harm can befall us while we have such *protection*.

Safeguard method of the double-entry system would be a better way to put it, as it is not a system in itself but a peculiar *method of double entry*. Instead of the names of accounts appearing at the top of the page in the usual way, they appear on the left of it.

A number of lines, say ten, are assigned to each account. The first one begins on first line and runs to the tenth, the second begins on the eleventh line and runs to the twentieth, and so on throughout the page. The lines are numbered. If more entries are necessary during the month than there are lines, they are sandwiched in between the entries already made, which to say the least, makes a botch of it, and for that reason it is decidedly objectionable.

Instead of one set of columns for dates, folios, and amounts, and two spaces for entries on each page, there are twelve such sets to a page, one for each month, each of which is headed by its respective month from January to December. There is an extra column on the right of each set for balances, but no space for entries. The columns are all added at the bottom of each page, and the footing of the balance column must be equal to the difference between the footings of the two amount columns, thus proving the page. The same thing could be done with the ordinary Ledger, but we fail to see a single advantage in such a proof. In making the Trial Balance, therefore, page results are taken by this method, which does not accomplish a secondary object of the Trial Balance, that is, to show at a glance the standing of each account, which is important and for which the proprietor desires it more than for any other purpose. Instead of being simple, as all books of accounts should be, it is rather complex, so much so that bookkeepers in general cannot understand it at first sight. Its advocates claim that it diminishes the work and saves time, when, on the contrary, it increases the work if anything, and requires more time than with the usual form of a Ledger. It saves at the spigot and wastes at the bung. It may have some redeeming features which we have failed to discover, but it has others already alluded to which condemn it, and between the two, *pro* and *con*, it is more than a stand-off in favor of the latter. We never give praise where there is no merit. With all due respect for the originator and promoter and his followers, we must confess that we would not use it nor would we permit it to be used in any business over which we had control.

PARADOX.

Finding a *remainder* by addition seems to be a perversion of arithmetical terms and a revolution of mathematical principles, as a *remainder* is usually found by subtraction and the result of addition is termed *total.* Below, however, we give the result of an addition which is a *remainder.*

It will be noticed that there are three rows of figures in the minuend, but it matters not whether there are one or many, although but one row is allowable in the subtrahend, whereas in the usual method of subtraction but two rows of figures are permissible, which are arranged with the smaller under the greater, units under units, and tens under tens, etc.

7,102	Subtrahend.
4,253	Minuend.
396	
1,140	
1,313	Remainder.

DEMONSTRATION.

	Remainder.
$0+6+3=$	$9+3=12$
$1+4+9+5=$	$19+1=20$
$2+1+3+2=$	$8+3=11$
$1+1+0+4=$	$6+1=7$

EXPLANATION.

Add the units column of the minuend, the result is 9, *lacking* 3 of making first figure in units place of subtrahend, with 10 over or 1 to carry to the *tens* column in minuend, making 19 which *lacks* 1 of making second figure in subtrahend with 20 over or 2 to carry to the hundreds column in minuend, making 8 and *lacking* 3 of producing third figure in subtrahend with 10 over or 1 to carry to the thousands column in minuend which, when added, makes 6 and *lacks* 1 of equalling last figure in the subtrahend. The *lacking* figures are those found in the remainder, see demonstration.

This is the surest way of getting a *correct remainder* and is the method pursued by experienced cashiers in making change.

For instance, if we are handed a piece of money from which to take what is coming to us, we begin with the amount we are to receive and add to it enough to equal the piece handed to us, thereby assuring ourselves of getting our part.

THE BEST WAY TO SUBTRACT.

There are two ways of subtracting. One way is when it is necessary to add 10 to any place in the subtrahend, deduct 1 from the next higher place, that is the next place on the left. This way is objectionable because as we have seen in our experience that it was most difficult for the majority to get a correct remainder owing to the fact that they become entangled when the cipher occurs. *Another and better way is* when it is necessary to *add* 10 to any place in the subtrahend, *add 1 to the next higher place in the minuend*, as 10 in any place is equal to 1 in the next place on the left, that is *ten* units equal *one* ten, and *ten* tens equal *one* hundred, and so on to infinity. It is a well understood mathematical principle that *if any two numbers be equally increased their difference will be equal.*

THEORY MUST PRECEDE PRACTICE.

Compilers or *soi-disant* authors who assume to be *en rapporte* or all-wise in matters appertaining to accounts and whose "articles," as they call their jumble of words, are more remarkable for puerility than for astuteness, say that "Dr.," "Cr.," "To," and "By," should be omitted because they are understood. These fledgelings in matters of accounts or would-be oracles on the subject of bookkeeping are evidently just from the shell, or still in the crude state and not informed as to the polished methods of scientific accounting. *To follow their advice, to say the least, would be to court dismissal for incompetency.* They furnish us with the laughable exhibition of vaulting egotists overleaping themselves. One should mount not too high in self-esteem lest the fall be greater in the estimation of others. Birds that soar the highest fall the heaviest. We admit that such signs as "Dr.," "Cr.," etc., are presumably understood by some, but to state them in writing leaves no room for doubt in the mind of any, it makes assurance doubly sure; furthermore "Dr. To" must appear on the left of a ledger account and "Cr. By" on the right of it as important links to complete the chain of thought connecting the account with the words that follow it on either side. If this chain of thought is interrupted or disconnected by the omission of the *important links*, the work becomes mechanical, as it

were, and not being governed by reason is just as likely to be done wrong as right, a fact we have seen demonstrated repeatedly in our experience as instructor.

Common sense teaches us that *theory must precede practice, at least in this field of industry*, notwithstanding the fact that Herbert Spencer, the English philosopher, says that practice must precede theory. To our mind it is clear that *we must come* to a theoretical conclusion as to what we are going to do; then put it into practical execution by doing it accordingly, not do anything by chance or accident and then undertake to theorize as to why it was thus done, "don't you know?"

Our book is the pioneer exponent of expert accounting and modern business methods of bookkeeping in general, other recent publications being very poor imitations of it. It has been the source of much information found in the compilations of others, who make constant allusion to themselves *ad nauseam* to all as "The Author," when in fact they are not authors at all, nor do they rise to the dignity of ordinary *compilers*, their (?) ideas having been transplanted from *native soil* to one entirely barren and non-productive of original ideas.

SALES SHEETS.

Many concerns have abandoned the use of the Sales Books, giving preference to a *Sales Sheet*, making it the permanent original entry of goods sold.

The fact that some of the largest houses use the *new* method proves its practicability and justifies its usage. The only advantage gained by it, as far as we can see, is the saving of expense in binding a great many Sales Books, there being no saving in expense of paper. It is more convenient, too, in handling only the few sheets already in use than it would be to handle large books, only a portion of which are used for the time being.

The Sales Sheets are also bound, that is, once a month, and put away conveniently for ready reference. The binding consists in driving small wires through the margin, the expense of which is a bagatelle compared to the leather or heavy canvas-covered binding of voluminous Sales Books. The Sales Sheets seem to be nothing more than an elaboration of our shipping-ticket shown on page 240.

The salesman takes down the order on the Sales Sheet by describing the articles sold and the prices. The stock clerk selects the goods according to Sales Sheet, making a single check mark (✓) opposite each article. The goods are taken to the packing-room accompanied by the Sales Sheet, and as fast as they are put in cases the packer cross-checks or makes a double check mark (✓✓). The Sales Sheet is then turned over to the bill clerk, who makes the extensions and footing on Sales Sheet and duplicates it on billhead, then turns the Sales Sheet over to the bookkeeper, who examines the calculations and then posts directly from the Sales Sheet, after which a transcript is made into a book, as explained on page 85, for the purpose of totalizing the sales and giving each department its proper credit in posting. The Sales Sheet is initialled by each clerk through whose hands it passes, which vouches for the fact that every part of the transaction has received proper attention.

A HINT IN WRITING LETTERS.

In writing for the press only one side of the paper should be used, but in business or other correspondence this rule does not apply.

Business letters requiring two pages should be written on both front and back of a single sheet and not on front and third page of a folio, as is often done by unbusinesslike people, thereby causing unnecessary bulk of paper in filing letters.

All correspondence requiring more than two pages should

be written on front and back, then third page and back—that is, one-two-three order,—the same as the matter is arranged in books. It is extremely bad taste to use third page for second-page matter, then return to second page for matter belonging on third, thereby separating by the intervention of a page the matter on fourth page, which should make close connection with third-page matter, making very awkward reading, which to say the least is annoying to the reader.

DISCIPLINE.

In a large establishment, where there are many employés there must be a superintendent or *head man*, who is presumably endowed with superior skill, judgment, or qualifications as to the business, by virtue of which he is entitled to the most exalted position.

In all controversies or issues arising between him and his subordinates his word should be law and his decisions final, subject to no appeal to higher authority in the establishment in the person of his employer.

He should be sustained *right or wrong*, that is, sustained if right and removed if wrong, at all events also sustained *even if wrong*, if retained in his position. Not to do so would be to bring his authority into disrespect and to render his power for doing good impotent.

If he is too valuable to dismiss for an error of judgment, he should be told wherein he is wrong by being called aside in *star-chamber conference*, as it were, and not in the presence of those whom he is expected to keep in line of duty, for any dereliction of which he would be held responsible.

When convinced that he is wrong, he can and *will* in his own way make the *amende honorable* to those whom he has done an injustice, and thus cement the mutual bond that binds all to a common cause.

STAND ALOOF.

One should not permit himself to become too intimate—in other words *too fresh*—with his employer, either in his business or social relations; never presume to *make free* with him because a favorite, but keep in your own place at a becoming and respectful distance, and thus by a dignified subordination and submissive disposition always command his respect and merit his favors, and when the occasion arises, as it surely will, when you are called to account for some real or seeming shortcoming, you will feel less keenly the lash of authority.

We may feel that we are superior intellectually and in business ability to those whom we serve, but the very fact that they are our employers makes them our superiors in their business relations toward us, which, if we failed to recognize, would also make them our superiors in point of good sense and appreciation of the right as well as disapproval of the wrong.

Another thing: one should not *work by the clock*, that is, not leave a duty unperformed, drop everything and run, because the clock indicates that the usual hour for quitting is at hand.

We always made it a point to remain at our post of duty as long as the *boss* remained at his, unless he was pleased to excuse us. It is a fatal error for a clerk to presume to dictate to his employer as to what the duties were he was engaged to perform and the time in which he was supposed to do them, as the employer may require something else done not within the scope of the employé's ordinary duties; hence he must hold himself in readiness to do his bidding, or soon expect to hear that unwelcome edict—*your services are no longer required.*

One should never be above his business, never be ashamed to have others know he is doing that which enables him to earn an honest dollar.

FRAUD—HOW DETECTED—HOW PREVENTED.

Following an exposé of a recent defalcation in a bank of this city, which started an investigation into the accounts of other similar institutions throughout the country, a daily paper offered a handsome premium for the best system of bookkeeping that would be a safeguard against dishonesty. It is safe to say that it is impossible to devise such a system. Opportunity makes a thief and nothing but *surveillance* will prevent a dishonest bookkeeper from availing himself of such an opportunity when it is afforded him; hence his books should be examined periodically, say quarterly, by a disinterested auditor. This would be a constant menace to him and assurance that he would be detected, and as no sane person would be likely to jeopardize a good position or imperil his liberty for the small sum of money he could embezzle between these periods, *surveillance* of this kind would be effective. The audit should be made by a different person each time, so as to prevent possible collusion of the auditor with the bookkeeper in case the former is susceptible of being corrupted by sharing the spoils with the latter. It would certainly be a mean person who would betray a confidence; for that reason it is said, "To make a thief honest trust him." A common fraud perpetrated by bookkeepers who have natural proclivities for letting other people's money stick to their fingers is to falsify their footings, especially in the Cash Book,—that is, put down a larger sum on the credit side or a smaller sum on the debit side than the figures amount to, or possibly put down the correct footing and carry forward the larger or smaller sum, as the case may be, to the next page, which would be less liable to be detected by a casual examination and thus enable him to abstract the excess of money without throwing the cash out of balance. If the erroneous figures occurred in the sundries credit columns, they would make a single entry on the debit side of some ledger account, most probably the merchandise, or add the excess to some large amount already on that side, so as not to

interfere with the trial balance. Such a fraud could be detected only by checking the posting. If the wrong figures appear in the special columns it would not affect the trial balance, hence the fraud could be unearthed only by reviewing the additions. No one would be foolish enough to be entrapped by taking money put in the drawer as a decoy by their employer, which is often done to see whether it will be accounted for as *cash over* when proving the cash next time. A better and more honorable way is for the proprietor to examine the footings daily in the bookkeeper's absence until he has assured himself of the latter's honesty, and thus be enabled to detect and stop in its incipiency the peculations of one whom he had found to be dishonest before it had involved him in ruin.

TWO PEN PICTURES.

OLD FOGY.

A bookkeeper of the old school: His days are of endless toil, his nights are of sleepless unrest; his books are in arrears, and are never otherwise, although he works early and late—often until midnight. He makes many errors which he can never locate, hence his Trial Balance is never forthcoming when asked for. His salary is consequently small, and no increase can be expected under such distressing circumstances; in fact he is in constant dread of losing his situation. He is a worthy man, but wofully incompetent. The business has outgrown his capacity, which is limited and cannot be increased while encumbered by his old-fogy methods. Instead of being progressive he is retrogressive, and like a crawfish goes backward at everything he does. He trudges along at a paltry income, just enough to supply pinching necessities for those who cling to him in sweet dependence, but nothing to lay aside for a rainy day, a poor pensioner upon the bounties of an hour. The conditions that confront him are appalling, to say the least. He

ruminates, he ponders, and he dreams; suddenly he awakes to the fact that he is far behind the times, a back number, as it were, and he resolves to emulate the example of the prosperous *young* bookkeeper—Wright's Protégé—who is looked upon as the brightest star in the constellation of modern accountants, which is due to the fact that he is abreast with the times and follows the methods of his preceptor.

WRIGHT'S PROTÉGÉ.

A few years ago he was only a useful man about the office—*a factotum*—but knowing that the only road to advancement was by gaining useful information, he bought a copy of "WRIGHT'S BOOKKEEPING SIMPLIFIED," and in a short time mastered double entry. Soon thereafter the old bookkeeper was summoned to appear at the main office on high to make a final exhibit of his life's work—that is, he was called hence to return no more, leaving a vacancy that an ordinary machine bookkeeper could not fill. As Protégé wrote a good hand, he was told to take charge of the books temporarily, until a new and competent bookkeeper could be engaged. The proprietor soon discovered that a better man than the new incumbent would be hard to find, as he was really an improvement over his predecessor. His salary was at once increased, and has been advanced yearly. Next year he is promised a partner's interest in the business. No wonder he sleeps sweetly and dreams in ecstasy. He never has to work after business hours, but always quits on regular time. He keeps his books posted to date, although he has twice as much to do as old fogy, and has plenty of time to read his morning paper, and an hour for lunch. Why? Because he is a man of BUSINESS METHODS and knows how to take advantage of his work. He leads where others could only follow. He praises the bridge that bears him safely over, and pins his faith to "WRIGHT'S BOOKKEEPING SIMPLIFIED," to which he attributes his success, and advises you to do likewise.

EXAMINATION FOR BOOKKEEPER'S POSITION.

A firm in this city, say, Smith & Jones, wanted a bookkeeper. Each applicant for the position was given a *verbatim* copy of the following facts and figures, with "COMMENTS," showing what was required, viz.:

BALANCES BROUGHT DOWN JANUARY 1, 1900.

Cash and bank	$4,618.11	
Jones		$29,377.60
Smith		15,078.28
Stock of goods	10,901.25	
Bills receivable	3,250.00	
Bills payable		6,400.00
Reserve for bad debts		1,500.00
Reserve for discount		1,857.00
Customers' balances	37,142.12	
Creditors' balances		10,348.60
Horses, carts, etc	2,400.00	
Premises	6,250.00	

CASH AND BANK TRANSACTIONS DURING THE YEAR.

RECEIPTS.—From Customers, $55,449.02. For Notes, $32,112.89.

PAYMENTS.—To Creditors, $40,783.55. Wages, $4,213.02. Horses' keep, etc., $1,634.53. General expense, $1,212.53. Notes met, $21,600.00. Smith's drawing account, $5,750.00. Jones' drawing account, $3,100.00. Salaries (S. & J.), $2,675.00. Cash on hand, $11,211.39.

OTHER TRANSACTIONS DURING THE YEAR.

Purchases, $69,949.18. Sales, $81,608.62. Discount allowed customers, $3,242.62. Discounts allowed by creditors, $1,062.55. Bad debts written off, $2,177.55. Received notes from customers, $36,930. Gave notes to creditors, $15,200. Stock on hand December 31, $5,695.

COMMENTS.

Raise Ledger accounts and make requisite entries to bring results of cash account into the Ledger. Make and post journal entries dealing with the other transactions, also those necessary to credit partners with five per cent. on their capital at first of new year and to charge ten per cent., depreciation in value of Horses, Carts, etc., and reserve same proportion for discount on outstanding balance, as in previous year. Prepare a Trial Balance December

31, 1900. Make and post journal entries requisite to make up *Trading* and *Profit and Loss* accounts and distribute the net result between the partners, two-thirds Smith, one-third Jones. Prepare balance sheet.

This is all perfectly businesslike and an ingenious test of ability, and was evidently the work of one familiar with accounts, but there is an error of omission which proves that he was not an expert. An ordinary bookkeeper will not discover the omission, but an expert accountant will notice it at once. We would render the statement just as asked for, presuming the omission was intentional; but it would not be acceptable to us if we were a partner and was going to retire from the business, as we would get much the worst of it by settling on that basis. It is safe to say that *eighty per cent.* of those who call themselves bookkeepers and apply for such positions, cannot make a systematic and businesslike statement from the foregoing exhibit.*

ANOTHER TEST OF ABILITY.

WRIGHT and NOBLE are equal partners in business. As the business progresses they come into joint possession of Smith's note for $2,000. In the mean time WRIGHT overdraws his account, $500. In order to make good the overdraft and equalize their interests again he forfeits at a sacrifice his half interest in SMITH'S note of $2,000, whereby NOBLE becomes sole owner of it.

The bookkeeper is required to adjust the matter on the firm's books.

Many years ago, when the writer was engaged as a young bookkeeper, he had an interesting interview with the late Professor Marsh, who was then teaching bookkeeping according to old-school methods.

With a view of testing our ability as a practical bookkeeper he submitted the foregoing proposition to us. The fact that *we* were not dreamers but wide awake to realities, accustomed to dealing

* If the reader will send us name and address and 30 cents in postage stamps we will send by return mail a copy of the entries and statement we made for the successful applicant in this case.

with *substances* and not *shadows*, made it easy for us to adjust the matter which to him seemed complicated. The simple manner in which we disposed of it was a surprise to the distinguished old professor, who admitted that our method was most ingenious, but not the way he would do it. He made more entries of it than we did. Our way was practical and business-like; his was theoretical and school-like.

BRANCH HOUSES.

A branch house is treated as if it was a separate concern, and the *parent* house is treated the same way by its branches. If a firm in New York has a branch in Chicago, the account name for it would be *Westevn Department* or *Chicago store*, and on the books of the branch house the account name for the *parent house* would be *Eastern Department* or *New York Office (or store)*. Both accounts would be treated same as *other personal accounts*—that is, would be subject to the same eight conditions and governed by the same eight supplementary rules (see page 30).

EXPERT ACCOUNTANT.

Bookkeepers as a rule soon begin to call themselves expert accountants when they can manage a small set of books in a way that does not require even ordinary skill, and can make a *trial balance* successfully, containing probably less than one hundred accounts. Such an assumption on their part is, to say the least, a travesty upon the facts in the case, as they have no conception as to the duties of an expert accountant.

"The oak tree was an acorn once and fell upon the earth
Until sun and showers nourished it and gave the oak tree birth."

A bookkeeper sustains about the same relation to an expert accountant that an *acorn* does to the oak sapling. One is embryonic of the other in both cases.

"In most people's mind the idea of an accountant is associated with thief catching; he is considered a sort of Sherlock Holmes, or Hawkshaw, a detective making a specialty of trapping default-

ing bookkeepers and cashiers; others again consider him a sort of higher grade of bookkeeper, but both conceptions are far from the truth. Catching thieves is only incidental to an accountant's business life, and is the most unpleasant part of it, and while an accountant, as a matter of course, must be an expert bookkeeper, this knowledge is only an accessory, just the same as anatomy or pathology are only some of the many things a physician must know.

"The bookkeeper is one of the numberless wheels constituting the complicated mechanism of modern commercial life. He is a link in a chain, connecting other links. The accountant stands outside of this mechanism somewhat like the consulting engineer, whose opinion is sought in the construction, mode of operation, or improvement of the mechanism, who is called upon to locate disorders or causes for the failure of a part or whole of the mechanism to do its duty, and to suggest remedies. He is like the physician in well-regulated families who is not only called when the disease has appeared and has made incursions into the family's well-being, but whose opinion is from time to time sought for the purpose of keeping the health of the family up to the highest possible standard.

"Like the physician or the consulting engineer, the accountant must not be a specialist; he must not only be thoroughly acquainted with one organ of the body or with the nature of a particular part of the mechanism, but he must know all of it. The true relation of each part to the other must be an open book to him. He cannot and must not be a theorist or a pedant. He must be a man of wide and varied experience, having the ability to apply his experience on scientific principles, which are strictly defined, and constitute the science of accounting. Such a man will be of the greatest benefit, even to the healthiest business organism. No matter how well selected, well appointed, and well directed the parts of such an organism are, it is of the greatest value that they should be, from time to time, inspected by some one whose combined theoretical and practical knowledge enables him to scan a wider horizon than is possible for the director or directors of a particular business organization.

"It is not always dishonesty or ignorance on the part of the coadjutors of the head of a business which brings it to grief, or, at least, causes serious disorders. A modern business organization, be it firm or corporation, is like the modern warships, a complicated piece of machinery, needing protection in more than one sense of the word. The crew, from captain down to the stoker, are all engaged, or expected to be so, in one single pursuit, and that is to lead the ship to victory, to success. The captain, standing on the bridge, directs the whole of the complicated machinery. It is important for him to know that he can depend upon the efficiency of every part and parcel of it, and to be conscious of not having overlooked some detail—one single loose screw, one single bent pin may expose the ship to disaster. Therefore the parts of this ship undergo frequent inspections; first, to ascertain whether everything and everybody is in working trim; second, whether some appliances need to be improved or even substituted, so as to keep the ship at the highest possible fighting standard.

"Let the stockholders of a corporation once suspect that there is 'something rotten in the State of Denmark,' how fast the value of the stock goes down! One breath affecting the standing or methods of a business will wreck it."

NINTH AFTERTHOUGHT.

Receiving anything is a *fact;* deriving a *benefit* from anything is an *effect.* The former has to do with *tangible existence;* the latter with *nominal existence.* Without *facts* there can be no *effects.*

Unless one can discriminate between the meaning of the words *tangible* and *nominal* the rules on page 29, that govern representative and speculative accounts, will seem to conflict.

The mind of the student naturally concludes that *making,* in other words *gaining,* is equivalent to *receiving;* but such is not the case. A percentage can neither be *received* nor *given out,* because it is *intangible,* hence *intransitive.* Things can *neither* be *gained* nor lost from a bookkeeping viewpoint.

Acquire the rules *as they are;* not as you think they ought to be.

FIFTH PART.

WALL STREET MATTERS.

THE CURB MARKET (Broad Street, New York).

WALL STREET TERMS.

ACTION.—Execution of, or carrying orders into effect immediately.

BEAR.—A believer in lower prices, one who sells before he buys.

BULL.—A believer in higher prices, one who buys and holds for an advance.

BUCKET SHOP.—A place where the proprietor usually takes the opposite side of a customer's deal instead of having it executed on the Exchange. *He coppers the customer's bet.* If the customer wins, the *proprietor* loses, and when he is asked for profits or an accounting he fails usually, that is, if the amount justifies it. *Moral.*—Do not trade in a bucket shop; in case you do, never allow profits to accumulate but draw out as fast as made.

CALL.—A privilege to demand stock any time within a specified time at market price above a fixed price.

COVERING.—Buying back stock when short.

CORNER.—A stock is *cornered* when it is owned or controlled by a few, who can *demand*, and usually get, any price they wish for it. Those short of the stock being required to deliver what they sold, must pay the price, which forces tremendous rise. Following is an example of the effect of a *corner*, the greatest in the history of Wall Street. The closing price on Saturday, May 4, 1901, of Northern Pacific Common ("Little Nip") was $110 per share. It opened on the following Monday morning at $114, and during the day advanced to $133, closing at $127½. It continued to advance at the same rate for the next two days, opening Thursday morning (May 9th) with 500 shares @ $170; it then went up in leaps and bounds, 5 to 50 points, at a time to $1,000 per share within one hour, or by 11 o'clock A.M. There was one deal of 300

shares at the highest price. Reaction then set in and the downward movement was equally violent with many fluctuations upward and downward during the day, closing at $325 per share, a net gain of $165 per share in one day. In order to raise the money to meet these ruinous prices other stocks were thrown on the market at sacrifices of from 5 to 60 points lower throughout the whole list than closing prices on previous day, causing a panic that made the famous "Black Friday" pale into insignificance for the time being, although of shorter duration. *Corners* enrich a few but impoverish many.

CURB.—A certain locality on Broad Street where a few meet in the open, that is, on the curb, to deal in stocks not listed on the Exchange. One passing along Broad Street, between 10 A.M. and 3 P.M. any business day can see this little body of men huddled together apparently in mysterious conclave. They are called curb brokers. See illustration on page 296.

GRANGERS.—Railroads running into Chicago, viz., Chicago, Burlington, and Quincy; Chicago, Milwaukee, and St. Paul; Chicago, Rock Island, and Pacific; Chicago and Northwestern.

GOULD STOCKS.—Missouri Pacific, Texas Pacific, Manhattan, Western Union, etc.

INSIDERS.—Those who own controlling interest and regulate prices to suit themselves.

INDUSTRIALS.—Companies engaged in manufacturing, such as American Sugar, American Tobacco, Continental Tobacco, U. S. Steel, U. S. Leather, U. S. Rubber, etc.

LAMB.—A *greenhorn* in the business. One who enters Wall Street usually with plenty of money and no experience and, as a rule, leaves the Street with plenty of experience and no money.

LIQUIDATING.—Selling out part or all of an investment.

LONG.—Holding stocks bought in anticipation of a rise.

MANIPULATION.—Making prices to suit those who have controlling interest.

MARGIN.—Money or collateral deposited to cover fluctuation in prices.

POINT.—One dollar per share. Fractional points $\frac{1}{8}$, $\frac{1}{4}$, $\frac{3}{8}$, $\frac{1}{2}$, $\frac{5}{8}$, $\frac{3}{4}$, $\frac{7}{8}$. If one buys 100 shares of stock on the Consolidated Exchange and the price advances *two points*, he makes $200, less the charges, that is $\frac{1}{8}$ of a point com. $12.50, and two-cent revenue stamp for each share $2; net, $185.50. If he sells 100 shares and the price declines *two points*, he also makes $200, less the same charges, $14.50, or $187.50 net.

POOL.—A combination of brokers, or rather a combination of their capital for the purpose of controlling certain stocks. Kind of a distant relation to a *corner*, but less powerful and far-reaching in effect.

PUT.—A privilege to deliver stocks at market price any time within a specified time below a fixed price.

PYRAMIDING.—Investing profits as fast as they accumulate. It is a very dangerous method and usually results in loss of margin —PARLAYING.

REACTION.—Making lower prices, usually the result of realizing or taking profits.

RALLY.—Making higher prices, the result of *shorts* covering.

REALIZING.—Closing deals to take profits.

SHORT.—Having sold stock one does not have, expecting a decline.

STOP ORDER.—Fixing a price at which to close a deal and thereby limit loss if one is on the wrong side.

SCALPERS.—Professional traders who get in and out with small gain or loss—a point or less.

STRADDLE.—A privilege covering both *puts* and *calls*.

TAPE.—A white paper ribbon, $\frac{3}{4}$ inch wide and about 300 feet long, rolled so it can be adjusted to the *ticker* in such a way that the latter can supply itself as fast as required for quotations or news.

TICKER.—A small electrical instrument or machine that automatically registers in printed style on the tape every transaction that takes place on the Exchange. The tape is an indispensable concomitant of the ticker, without the former the latter would be useless.

TRACTIONS.—Street railroads, Metropolitan, Third Avenue, Brooklyn Rapid Transit, Manhattan Elevated.

UNDER THE RULE.—When a broker fails his commitments are closed out by the chairman according to the rules of the Exchange for the protection of other interested brokers. Such transactions appear on the tape as U. R.

WASH SALES.—Mutual agreement between brokers to buy and sell among themselves to create false impression as to movement in certain stocks, part of the agreement being that such deals are declared off after the movement is thoroughly under way and in the hands of others.

WALL STREET METHODS.

1. This is a subject prolific of thoughts worthy of engrossing the pen of one more versatile than the writer assumes to be. We write from our own experience and observation, which we admit is limited, covering a period of but a few years. Hence our conclusions may not be as correct nor our views as broad and comprehensive as those of some who will no doubt peruse these pages, and whom for that reason we do not presume to enlighten or interest. Our main object is to explain later how books are conducted in a broker's office; and in order to do that it is necessary to look into the peculiarities of their business.

2. There are two great classes that do business in Wall Street, viz., INVESTORS and SPECULATORS, the latter being subdivided into two other classes commonly called BULLS and BEARS.

3. INVESTORS are those who buy stock outright at its intrinsic value, and are satisfied to make a reasonable rate of interest on their money without regard to fluctuations in the market prices.

4. It goes without saying that this class has ample means to carry out its undertakings and eventually *gets all the money.*

5. SPECULATORS are those who buy or sell stocks on margin

with a view of benefiting alone by the fluctuations in market valuations.

6. As an example we take a stock that paid 12 per cent per annum for many consecutive years, the par value of which is $100 per share, the market value having fluctuated during the writer's observation from $95 to $180 per share.

7. The INVESTOR who is satisfied to make 6 per cent per annum on his capital could afford to pay $200 per share for the stock in question and consider it intrinsic value for his money, so long as he felt assured that the 12 per cent rate would be maintained; but inasmuch as there never has been a time when he would have been required to pay $200 per share for this stock, his pro rata of interest would have been as much more than 6 per cent, as the price per share was less than $200.

8. The wide difference between the highest and the lowest price of this stock and many others is what brings to the fore the *Speculator—Bovine or Bruin*—as the opportunity would suggest.

9. At the minimum price the BULLS would be rampant or aggressive, as they would feel assured that INVESTORS would pay more than the current price for stocks; and as a matter of fact the bidding which begins between the INVESTORS and the BULL speculators (BEARS remaining under cover for the present) brings about the advance that the *Speculator* expected.

10. When this state of affairs has continued for several days, and as a consequence prices have advanced from ten to thirty *points*, which often has been the case, even when the market is in a normal state, it would then be a question in the mind of his *Bovine highness* as to whether or not the INVESTOR would pay a still higher price; and, believing that he would not, the speculator begins to *realize*—in other words, begins to sell the stock he is *long of* and take his profit, which would be the difference between the price at which he sells and at which he had previously purchased.

11. At this stage of proceedings the BEAR makes his advent and begins to *sell short*, as it is called, because he believes he can buy later at a much less price; and as the INVESTOR has all he

wants, buying ceases and a *reaction* sets in, that is, offering stock at a fraction less, which starts a downward movement, often culminating in a *big break* or decline in prices, possibly back to, or even lower than, the last minimum which INVESTORS considered intrinsic value.

12. When any stock can be bought for less than it is worth, new INVESTORS are ready to buy, a fact BEARS are well aware of; hence they begin to *cover*, as it is called—that is, turn buyer instead of seller, thus gaining the difference between the price at which they *buy in* and at which they previously sold.

13. The big BEARS, who are heavily short and desire to *cover* at a lower price, will select a weak stock and *raid it* by offering 1,000, 2,000, 3,000, 5,000, 10,000 shares in bewildering succession. The result is a big break in that stock within a few minutes, which causes a *sympathetic break* throughout the whole list. The money-powerful BULLS who desire to *unload* at higher prices, and for that reason are determined to force prices upward, snap up these big lots as quickly as a hungry trout would a minnow.

14. Here is where the real *tug of war* begins and rages furiously for hours between the BULLS and the BEARS, the INVESTORS remaining in the background as disinterested onlookers, that is they do not participate in the buying or selling but reap a rich harvest in lending their holdings at high rates of interest which partly accounts for the fact that they in time get all the money.

It is a *battle royal* between money giants, and fortunes are often made and lost in a single day, thus proving the great possibilities of Wall Street, such as do not exist elsewhere. Prices are high and low alternately, fluctuating upward and downward like the rise and fall of the tide. In wooing fickle fortune in Wall Street go with the tide, and she will smile upon you; but to go against it is to cause smiles to give place to frowns. *The great secret is to know when the ebb and flow begins.*

15. Water seeks its own level, which is *fixed by its source.* The prices of stocks may not seek, but will in time find their level too, which is also *fixed by their source;* and the *source* in this case is

the *promoters* or *insiders* who know the real worth, which is measured by interest-earning capacity. It requires *artificial force* to make anything rise above its level; and when that force is exhausted, *natural force* will send it downward again. The higher the *ascent* the greater the danger, and the more rapid the *descent;* there is but little danger at the level. The old and familiar saying, "Everything that goes up must come down," is true when it relates to material things that are governed by the law of nature; but it is often fallacious when applied to the price of stocks, although it is the BEAR'S great *watchword,* and he gives it as a reason for the hope that is within him that he is on the right side.

No artificial force has ever been put in motion that is perpetual or inexhaustible. Natural force *is* perpetual, which would make it seem that those who are on the side governed by *natural force* have the best of it. As the *Bear's* greatest opportunities are when prices are the highest, they are on the safe side because it is natural for prices to go their way eventually. It is dangerous to be *long* of stocks above the *level;* it is equally dangerous to be *short* of them below the *level.*

It does not follow necessarily that an advance in the price of stocks is the result of *artificial force* called *manipulation;* it may be a *natural* result of improved conditions enhancing the value and justifying a new and *higher level.* Professional speculators can easily discriminate between the two causes of an upward movement. The inexperienced public cannot so discriminate.

SURE WINNERS.

16. It is safe to say that INVESTORS are the only *sure winners,* because when they choose to speculate they, as a rule, take the short side—that is, *sell short* only when prices are higher than when they invested—that is, higher than intrinsic value, as they buy only at real worth. In case they go still higher beyond their financial reach they can deliver the shares they own and still be a winner, the difference between purchasing price and selling price without regard to market price. In case the price decline imme-

diately after they sell, they can *buy in* again at a profit without parting with their original investment.

17. Thus their chances of losing are reduced to a minimum, inasmuch as they are not forced to sell their shares in case of a decline, but always have what they paid for at intrinsic value; and it is only a question of time when the *tug of war*, before alluded to, will force the price back to their purchasing price. It takes several months to manipulate the price of stocks upward from twenty to thirty points. It requires but a single day to *smash them* or send them downward that much.

WHICH HAS THE BEST OF IT?

It seems to us as if the BEARS have the best of it.

18. Inasmuch as *Investors* get all the money in the long run, and the fact that they side with the *Bears* when they choose to speculate for the reasons already assigned, is the best evidence that BEARS have the *best of it.* Professional speculators are too smart as a rule to sell anything below its real value.

19. It does not follow that one must *go short* to be on the side with the BEARS, as they do not always *sell* but *also buy* when the conditions favor a protracted high market. The sellers in such a market are not BEARS only but also BULLS themselves, who sell to secure profits.

20. A movement in stocks either way is governed by the *law of supply and demand.* The greater the demand the less the supply and the higher the prices. When the demand ceases, a new supply is suddenly discovered by the BEARS, and prices take a *tumble.*

BEARS' ADVANTAGES.

21. Conditions often outweigh capital in this matter, and there are more conditions that favor the BEARS than there are favorable to their opponents, such as *war and rumors of war; over-production in manufactured articles; strikes among the great army of employees; closing factories; bad crops; reducing or discontinuing*

dividends; death of some prominent man; high rates of interest; inflated prices; approaching elections, etc., all of which cause stocks to decline.

BULLS' ADVANTAGES.

22. *Universal prosperity; low rates of interest; oversold market; participation of the inexperienced public; increased earnings which justify a belief in larger dividends*—all conduce to higher prices.

23. In order to speculate with any degree of safety one must study the causes and conditions that favor both sides; also must know something about the intrinsic value of the stock he chooses to deal in, which would be governed by its earning power.

24. It is a well-known fact that the great majority of speculators lose their money; it is also a well-known fact that the majority buy stocks instead of sell, which proves the correctness of the conclusion that BEARS have the best of it. It is only a question of time when the BULLS are *left with the bag to hold and both ends open.*

25. One's first experience in Wall Street is on the *long side*, which is due partly to the fact that he is loath to sell that which he does not own. Furthermore, he knows that the limit of a downward movement is the bottom, whereas an upward movement is practically unlimited and the top may be beyond his financial reach (see Corner, page 297). "OLD COMMODORE," the great-grandsire of the present generation of Vanderbilts, to whom they owe their colossal fortune and financial supremacy, said: "NEVER SELL WHAT YOU DO NOT OWN and NEVER BUY WHAT YOU CANNOT PAY FOR." That was the SECRET of his success and the GREAT SECRET OF WALL STREET BUSINESS in a nutshell.

26. We know of a certain bank stock (not listed on the exchange) that could have been bought a few years ago at 10 per cent above par; it could not be bought now for 3,000 per cent advance, and the end is not yet. If one had sold or been short 1,000 shares of that stock at par, his ruin would have been inevitable. On

the other hand, if he had bought 1,000 shares at par, his fortune, at this writing, would have been over $3,000,000, a *certainty* unsurpassed even by the *possibilities* of a Klondyke. In the face of such startling facts who can doubt the wisdom of judicious investment and cautious speculation?

DANGER IS UBIQUITOUS.

27. One often reads about defalcations and ruin the result of speculating in stocks; hence arises the hue and cry of danger in Wall Street. The same *causes*—ignorance and inexperience—would produce the same *effects*—losses and failures—in any other field of industry. To invest capital in any kind of business one does not understand would be just as dangerous as speculating in Wall Street.

28. It is safe to say, however, that one can do more business in the market with less capital than any other place, not because less money is involved but because he needs to advance only enough capital to cover possible fluctuations in prices, the balance or market value being taken care of by the broker with whom the deal is made.

29. In buying or selling stocks on margin the actual transfer or delivery of shares does not take place. All that is necessary is to adjust the difference between the buying and selling price, which is done by the broker.

30. *One great danger that menaces those inexperienced in such matters, is falling into the hands of irresponsible brokers, who swindle them out of their capital, to say nothing of the possible profits; hence the importance of finding out who can be trusted with impunity* or rather WITH MONEY.

31. If a *fool* entrusts his money with a *knave*, to be invested according to the latter's judgment, he will surely lose and the *knave* just as surely win. *When fools renounce their folly knaves will be without occupation.*

32. The greatest leader Wall Street ever knew, whose skill in juggling with millions was without a parallel, now gone to his

reward, once said that one should not speculate in stocks until he had first studied them for at least three years. The fact that he entered Wall Street a comparatively poor man, and at his demise he was a multimillionaire, proves that he was eminently capable of giving good advice.*

33. One is supposed to learn during that time how to weigh conditions; also learn how much stocks are worth and the possible fluctuations in prices.

34. When thus equipped with prerequisites to success, if conservative and patient enough to await opportunities, it seems to us that one has as good a chance to make money in speculation as he would have in any other kind of business.

35. Without some risk there can be no gain in any adventure, and the place to get money is where it is to be found most plentifully.

THE NEW YORK STOCK EXCHANGE.

36. This is an association of men of great wealth, whose word is good for millions of dollars, and whose reputation for honesty and probity is of highest order. It began business in the year 1792, with twenty-four members; to-day, the beginning of the twentieth century, its membership is about eleven hundred.

37. It costs a small fortune to become a member now, as seats (memberships) have been sold for $76,000 each. Their building is situated on *Broad* Street near *Wall*. Its close proximity to the latter accounts for the fact that *Wall Street* gets credit for, or is charged with, everything good or bad that results from speculating in stocks. Business begins at 10 A.M. and closes at 3 P.M. Saturdays it closes at 12 M. The bulk of business is done on this

* When the ticker announced the last *bid* and *asked*, his next thought was of his home on the Hudson. To see him on his beautiful lawn playing "leap frog" with his boys for their amusement, as he often did, even when his mind was burdened with weighty matters involving hundreds of millions of dollars, was to look upon a charming picture of home life and domestic felicity that would irresistibly win the beholder's admiration.

exchange and all the big deals are consummated there, the smallest transaction involving not less than one hundred shares.

38. The commission is one-eighth for buying and one-eighth for selling; that is, one-quarter on each deal. The minimum change in price is also one-eighth of a point.

THE CONSOLIDATED EXCHANGE.

39. This is an independent and less important association, that has for its clientage those who deal in small lots, ten shares being the minimum, but no limit to the maximum, although rarely extending into a thousand shares. Their building is at 62 Broadway.

40. The commission is only one-eighth for completing each deal. No less than one-eighth of a point is offered or accepted as a bid.

41. Those who can afford to speculate in large lots would rather pay the extra one-eighth commission on the big exchange because of the advantage in prices.

ROUTINE IN SPECULATING.

42. If one desires to buy or sell twenty shares of the *Granger stocks* he can do so on *five points margin*—that is, he must deposit $100 with his broker; but to deal in the *Industrials* or *Tractions* (city), it would require from ten to twenty points margin, as the fluctuations in prices are more violent in these classes, often varying five points or more within a few minutes.

If one chooses to BUY 20 shares, he fills out

FORM ONE.

New York,.....1901

P. A. WRIGHT & Co.

148 WEST 14TH STREET.

BUY

.....*Shares*.....@.....

Stop loss @.....(*Approximate*).

It is agreed that P. A. WRIGHT & Co. have the right to hypothecate or dispose of, without notice to the undersigned, all stocks, bonds, petroleum, grain, and cotton, purchased or sold, on margin, upon the approximate exhaustion of margin.

.....

and hands it to the order-clerk, who wires or telephones the order to the broker on the floor of the Exchange. When the order has been executed, the clerk hands the purchaser a pencil memorandum like

FORM TWO.

A MEMORANDUM ONLY.

BOUGHT:

.....Shares.....

at.....

.....

and the next day he receives by mail an authenticated report of the transaction like

FORM FIVE.

P. A. WRIGHT & Co.,
148 WEST 14TH STREET.

New York,.....*1901*

M.....

.....

DEAR SIR:

We have this day BOUGHT for your account and risk

.....

.....

.....

.....

.....

We have this day SOLD for your account and risk

.....

.....

.....

.....

.....

P. A. WRIGHT & Co.,

Per.....

It is further understood that on all marginal business, the right is reserved to close transactions when margins are within a half per cent. of exhaustion, without further notice, and to settle contracts in accordance with rules and customs of Exchange where order is executed. P. A. WRIGHT & Co.

which is a combination of forms *two* and *four*.

If the price declines three or four points, more margin would be asked for in case he desires to hold the purchase, otherwise he can fill out

FORM THREE.

New York,.....1901

P. A. WRIGHT & Co.

148 WEST 14TH STREET.

SELL

.....*Shares*.....@.....

Stop loss @.....(*Approximate*).

It is agreed that P. A. WRIGHT & Co. have the right to hypothecate and dispose of, without notice to the undersigned, all stocks, bonds, petroleum, grain and cotton, purchased or sold, on margin, upon the approximate exhaustion of margin.

....

ordering the 20 shares sold. When the order has been executed, the clerk hands him a pencil memorandum like

FORM FOUR.

A MEMORANDUM ONLY.

SOLD:

.....Shares.....

at.....

.....

The following day he receives the authenticated memorandum like FORM FIVE. In case the price advances he is $20 winner for each point above his purchasing price. When satisfied with the amount of profit one has, he fills out FORM THREE to sell, fixing the price or at market price. To be sure of selling, he takes market price as it may not be possible to get the price he names, and if a reaction sets in his profit may soon melt away; in fact he may have to take a loss or produce more margin.

In case one chooses to go short (sell), in the first place he fills out FORM THREE just the same as selling long stock. If the price advances three or four points, more margin would be called for, as he would be $20 loser for each point advanced. He can put up more margin in case he does not want to take a loss, otherwise he fills out FORM ONE to buy, either fixing the price or at market price.

It is better to deal at market price if one's capital is limited, for the reason already assigned, thereby limiting his loss or securing his profit; otherwise he incurs the risk of increasing the former and diminishing the latter.

If the price declined after one first sold, he would be one dollar per share winner for each point declined, and when satisfied with the amount of profit he fills out FORM ONE the same as in buying *long stock.*

Speculators who can furnish unlimited margin can deal with the same degree of safety as *investors,* as it would be only a question of time when prices would get back to starting point, either *long* or *short.*

It seems to us to be better to take small loss and get out when one sees he is on the wrong side and get in again at a more advantageous price than to tie up his capital indefinitely, awaiting return to starting point.

Those young in the business, when the market goes their way, are inclined to *plunge;* that is, when they get a profit they increase their deal to the extent of profit. The result is, when the turning point comes and the market goes against them, they lose twice as fast as they won.

A better way would be to *reduce* the amount of deal in case of profit, then when the turn comes one loses less and can get out with some profit. If he starts with all he can carry and it goes his way, he gets all there is in it for him; but if it goes against him, he can close out half at a small loss and hold the other half. The margin will protect half twice as far as the whole, or until the remaining half recovers its own loss; also, possibly the loss on the half sold, by going the right way beyond the starting point.

Those who have plenty of capital pursue the opposite course; that is, if they buy, say, 20 shares and the price declines two points they buy 20 shares more, which makes their average one point lower than first purchasing price. Then, when there is a rally of one point in the price they close out the 40 shares without a loss, except the incidental expenses attending both deals. The more they buy on this scale the lower would be the average price, requiring less rally for them to get out whole.

If the conditions favor either a protracted *Bull* or *Bear* market it is not a bad idea to *pyramid* or *parlay*, as it is called, which amounts to the same thing as *plunging*, but as the profits increase invest only half of it instead of all, thus compounding the gain in case it continues in the right direction, or saving part of the gain in case it goes wrong. It is by this method of trading that small fortunes are made on limited capital in a short time, when it was possible to lose only the margin.

STATEMENTS.

On page 315 we give two different forms of statements. No. 1 will bear investigation in the matter of interest. No broker has any right to charge interest on more money than he advances. In this case interest was charged on total cost of 40 shares of stock, $2,580, when it should have been on $2,380, as the margin, $200, covered part of the cost. This is a big percentage in the brokers' favor, and the interest alone would soon enrich him if he had customers enough who would submit to that kind of figuring.

The first two items on credit side of statement ($200) were for margin. The first item on debit side was 20 shares L. & N (Louisville and Nashville) bought @ $86\frac{7}{8}$ = $1,737.50, add com. $\frac{1}{8}$ = $2.50, extension $1,740. In each case it will be noticed that the extension covers $1.25 com. for each 10 shares. The second debit item was 20 shares Co. T. (Continental Tobacco) bought @ $41\frac{7}{8}$. Next item was interest for carrying the 40 shares over Sunday, and the last item on that side was 10 shares P. O. (People's Gas Light Company of Chicago) bought @ $115\frac{1}{2}$.

The third item on credit side were 1½% quarterly dividend on 10 shares P. O., declared while the customer still held them. The other three items on that side were for the 50 shares sold at the prices indicated, hence a net loss on the whole of $106.77. It will be noticed that the first extension on the credit side is 20 cents less than it figures, and the other two 40 cents each less—which is the charge for revenue stamps (20 cents is deducted for each ten shares).

In statement No. 2 it will be noticed that interest is credited on the margin advanced, also on sales, and the balance of interest, 29 cents, adjusted properly, or 35 cents more in the customer's favor than would have been accounted for by the broker who renders statement like form No. 1.

FORM OF A PUT.

For value received the bearer may DELIVER TO ME on one day's notice, except last day when notice is not required, ...shares of the.....(common or preferred) stock of the.....company, at.....any time, within.....days from date.

All dividends for which Transfer Books close during said time go with the stock. Expires.....190 .

....M. (time of day on this line) Signed.....

Dec. 31, 1900, Atchison Preferred was selling at 89. "A" is a broker who does not believe the price of this stock will be lower than 86 within 15 days, hence is willing to sell for $85 all the profit that can be made on 100 shares below 86 within the specified time. "B" buys the privilege, paying "A" $85 for it. All he can lose is the $85, no difference how high the stock goes before the time expires, but his profit will be $100 for each point below 86 within the 15 days. He can put the 100 shares any time below 86 at market price, when he is satisfied with the

No. 1.

Dr. P. A. WRIGHT, *in account with* LEWIS & Co., *Cr.*

E. & O. E. PLEASE EXAMINE AND REPORT.

Date.		Shares.	Stocks.	Price.		Amount.	Date.		Shares.	Stocks.	Price.		Amount.
1899.							1899.						
Nov.	1	20	L. & N.	86⅞		$1,740.00	Oct.	31		Cash			$100.00
	8	20	Cot.	41⅞		840.00	Nov.	6		Cash			100.00
	6		Carrying charges			2.02		10		Div. 10 P. O. 1½ %			15.00
	9	10	P. O.	115½		1,156.25		11	10	P. O.	110¾		1,107.30
			Balance			93.23			20	L. & N.	84¼		1,684.60
									20	Cot.	41¼		824.60
						$3,831.50							$3,831.50

Nov. 14 ..... Balance..... $93.23

No. 2.

Dr. P. A. WRIGHT, *in account with* JNO. TLEE. *Cr.*

			Price.	Amount.	Days.	Interest.				Price.	Amount.	Days.	Interest.
Dec.	26	To 10 B. R. T.	82¾	$828.75	3	$0.42	Dec.	21	By Cash		$50.00	8	$0.06
	27	" 10 "	87⅞	880.00				26	" "		50.00	3	03
		" 10 T. C. I	67¼	673.75	2	22		27	" 10 B. R. T.	88½	884.00		
	28	" 10 Paul	140½	1,406.25				28	" 10 "	87⅝	876.05	1	15
	29	" 10 Lea	15⅝	155.00					" 10 T. C. I.	66	659.80	1	11
		" Interest		.29					" 10 Paul	140⅛	1,404.80		
		" Balance		127.46				29	" 10 Lea	145⅞	146.05		
									" Balance of Interest				29
				$4,071.50		$0.64					$4,071.50		$0.64

Dec. 29. By Balance..... $127.46

amount of profit. If he fails to put it within the limited time, he loses all.

Say the price, after ten days, is 80, he can put it without waiting the other 5 days, as his profit at 80 would be $500, less $85, which he paid for the privilege. Within the remaining five days the price may advance again and all his profit would melt away unless he delivers the 100 shares below 86.

FORM OF A CALL.

For value received the bearer may CALL ON ME on one day's notice, except last day, when notice is not required, ...shares of the.....(common or preferred) stock of the.....company, at.....any time, within.....days from date.

All dividends for which transfer books close during said time go with the stock. Expires.....190 .

....M. Signed.....

When St. Paul was selling at 125, a broker sold a call for $5 on 100 shares at 137, good for 30 days, believing it was not within the bounds of a reasonable possibility for that stock to advance 12 points in 30 days, or higher than it had ever sold before. Before the expiration of the time the price was 149, or 12 points higher than the call price. The purchaser of the call made $1,200 for his $5. All he stood to lose was his investment. The price of St. Paul had to advance over 12 points to save his $5. To the maker of the call it looked like finding a five-dollar bill. The price continued to advance in this movement until it reached 162, without a reaction of any consequence. In a short time afterward it advanced to 185. We have often heard it said in silly rhyme, and have repeatedly seen it demonstrated in distressing reality, that,

"We can never tell from where we sit
How soon our money will 'git up and *git.*'"

WAYS THAT ARE DARK.

It is a common belief that the regular commission is not the only source of gain of *unscrupulous* brokers on the Small Exchanges; in fact, it is believed to be the smallest part of their profit in a very active market. Our experience leaves no room for doubt in our mind that such is the case with some of those who handle the accounts of small speculators.

That which *now concerns us* is what disposition is made on the books of the extra *rake off* or *undue profit* in this hypothetical case, otherwise we would not allude to ways that are dark and *tricks* peculiar to the *unscrupulous*. One way to cover such transactions would be a *dummy* account, that is, an imaginary customer represented by a fictitious name, or possibly the name of a clerk to make it appear more realistic and *on the level*, also easier to explain in case of an investigation.

Say a customer gives an order to buy 40 shares of *Sugar* at the *market price*, which he observes by the tape is 135. The order is executed promptly at 135, but before reporting the purchase, the broker waits to see next quotation, and if it is lower, the customer gets the Sugar at the actual purchasing price, 135, and is of course, a loser; if, however, the next quotation to 135 is a fraction higher, the broker *still waits* to see a few more quotations; as to how long he waits will depend upon whether he is dealing with an *easy customer* or a *kicker*.

By an easy customer we mean one inexperienced in the business, who believes that everything is *on the level*, usually called a *lamb*.

A *kicker* is one who knows the *tricks of the trade*. He demands immediate action, and will not submit to being *gouged* for more than a quarter of a point, whereas an *easy customer* usually abides the broker's pleasure and may get *a point or more* the worst of it.

Say the price of *Sugar* advances to 140, and the movement seems to be over, the broker reports to *easy customer* 40 shares of

Sugar bought at 136. As he has no way of knowing the price at which the Sugar was bought, and the fact that he has a profit of *four points,* makes the deal very satisfactory and allays all suspicion as to being charged one point higher than the market price when he gave the order to buy, which gives the *dummy* one point clear profit.

The *dummy* would be charged with 40 shares of Sugar at 135, and credited at 136, the price charged the customer, apparently making two deals of it. Double dealing of this kind is a ruinous percentage against speculators, and is probably one of the principal reasons why the *public* cannot beat the game. The clerk must be wide awake and quick to discern as to an *easy customer* and a *kicker,* so as to avoid controversies and *exposé* of little irregularities of this kind. Do not do business with *unscrupulous brokers.*

A FORTUNE-TELLER—THE TICKER.

STOCK BROKERS' BOOKS.

It is now in evidence that the books used in a broker's office are altogether different in design from those used in other lines of business; hence, even though one may have spent half of his lifetime handling the books in all other branches, he could not successfully manage a broker's books without the technical knowledge contained in these pages.

The following forms are those used by New York Stock Exchange houses. We believe in meeting the issue squarely and weighing facts as we find them, but if we were put in charge of the books in a broker's office we would introduce what *we* conceive to be the *indispensable* Cash Book, which would conserve its part just as advantageously in this business as it would in any other kind, at the same time not disturb the *usual routine.*

We find the ordinary Ledger, Check Book and Journal. The special books are BLOTTER, PURCHASE AND SALES, LONG AND SHORT, MARGIN, BORROWED AND LOANED, CASH LOANS, SECURITIES, STOCK LOANS, DIVIDEND and COUPON.

The Blotter is a general summary of each day's transactions and includes the cash. It is the *main book.* The others are used for the purposes indicated by their titles.

Assume that P. A. WRIGHT & Co. (T. P. NOBLE being the "Co.") begin business as stock brokers Oct. 1, 1901. The profit or loss to be divided equally. NOBLE invests in cash (represented by check on his private bank) $10,947.16. WRIGHT invests 500 shares So. Railway Com., 400 shares N. Y. Central, 10,000 Bonds (U. S. Gov. 4's).

1st entry is made on the "*Deliver*" side of Blotter crediting NOBLE with his check.

2d entry is on back of stub of Check Book, charging UNION BANK with the check $10,947.16.

3d entry appears on the "*Receive*" side of Blotter, noting securities invested by WRIGHT without regard to prices or extensions.

4th entry on same side of *Blotter* shows securities deposited with us by SMITH as margin, also without regard to what they are worth. See Blotter on page 327. The top of page represents the "*Receive*" (or left-hand) side and the bottom of page represents the "*Deliver*" (or right-hand) side of Blotter. This gives rise to a *Capital* account on the Ledger which is credited $10,947.16 and Debited (prices and extensions blank) with the Securities belonging to the firm. SMITH'S ledger account would be debited in blank the same way with his securities. The Bank Ledger account would be debited with $10,947.16. As a matter of fact this is the *usual way* it is done, and we are assured has been in vogue for twenty years. *It is positively wrong in principle, nevertheless, to debit a man's account with what he has,* and if left to our judgment in opening the books we would not follow the prevailing custom, but we would introduce a way which seems to be unknown in this business, although in perfect harmony with the laws that govern the science of accounts.

We would show the market price and extension for each of the Securities that appear on the "Receive" side of the Blotter, the total amount of which we would charge to *Securities* account in the Ledger and so name it in the space designed for that purpose in the Blotter. Then on the "Deliver" side of the Blotter we would credit WRIGHT with the amount of his part of the securities, and credit SMITH in the same way with the amount of his as shown on the "Receive" side. We would credit NOBLE in the Ledger with $10,947.16, and have no Ledger account called *Capital Account.*

This would not change the present order of things that are governed by the rule that all stocks coming in are *long* and those going out are *short.* The fact of making extensions of those on the "Receive" side and crediting the owners thereof with the

amount does not make the stocks *short*, no more so than when we extended the St. Paul and U. S. Steel, which we bought for JONES and SMITH.

However, we give the forms of the *usual way*, and not, as in our judgment, would be the correct and better way.

DAILY ROUTINE.

1st. Enter the purchases and sales in the PURCHASE and SALES BOOK.

2d. Write up LONG and SHORT book.

3d. Write up BLOTTER from PURCHASE and SALES BOOK.

4th. Make *Clearing House Sheet* from the exchanged tickets so it will agree with the BLOTTER.

5th. Plan out the day's work, that is, make out a list of stocks to be borrowed, loaned, or returned, and send it with *Stock Loan* book to exchange member for proper attention; borrow money, if necessary, to meet the requirements of the day, or pay off loans if funds are sufficient to do so and *still have usual balance in Bank.*

6th. Write up SECURITIES BOOK.

7th. Turn the BLOTTER over to the bookkeeper so he can make his extensions, *i.e.*, commissions and *total* amounts, after which he posts the work of the day.

PURCHASE AND SALES BOOK.

The size of this book is 8 x 12 and contains 200 pages or more. It is a double page book, purchases on page 2 and sales on page 3.

1st entry is 100 shares of St. Paul bought from KRUSE & Co. @ 156¼ for JONES. No extension necessary in this book.

2d entry is 50 shares Union Pacific, bought from VERMILLE & Co., @ 97 for BROWN.

3d entry is 500 shares U. S. Steel, bought from FLOHR & Co., @ 53½ for SMITH.

4th entry is 100 shares Pacific Mail, sold to PORTER & Co.,

@ 42⅛ for ADAMS. This order was executed for us by another broker (MILLER), whose name appears on the left, for which he gets $2.00, that being the regular rate ($2.00 per 100 shares) brokers charge one another. Miller would send in his bill at the end of the month, which we would pay and charge to *Commission* account.

BOUGHT, *Oct. 2d, 1901.*

Broker.	No. Shares.	Stock.	From	Price.	Account.
	100	St. Paul.....	Kruse.....	156¼	Jones.
	50	Un. Pacific.....	Vermille.....	97	Brown.
	500	U. S. Steel	Flohr.....	53½	Smith.

SOLD, *Oct. 2d, 1901.*

Broker.	No. Shares.	Stock.	To	Price.	Account.
Miller....	100	Pacific Mail.....	Porter.....	42⅛	Adams.

LONG AND SHORT BOOK.

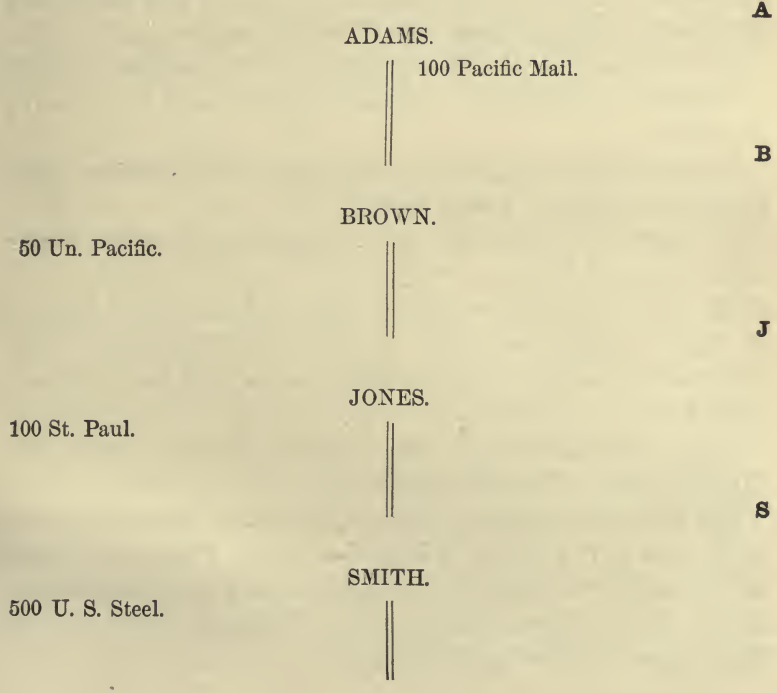
This book is uniform in size with PURCHASE and SALES, but of different design. The entries are made with lead pencil because they are subject to many changes. The first half of this book is for the stocks most popular with and dealt in by our customers, alphabetically arranged with several pages for each stock. On the left side of the dividing line, on *St. Paul page*, is entered "100 Jones," that being the number of shares bought for his account, which also explains the entries on *pages for Union Pacific and U. S. Steel.*

On the right of the dividing line, on *page for Pacific Mail*, is entered "100 Adams," that being the number of shares sold for his account. When these deals are all closed by selling the *long stock* and covering the *short*, the entries are erased.

In the other half of this book, on *page indexed "A,"* we find

ADAMS on the right of the dividing line is entered "100 Pacific Mail," being the sale made for his account. Any other sales made for him would be entered immediately under on the next line or lines.

On page *indexed "S"* we find SMITH, and on the left of the dividing line is entered "500 U. S. Steel," being the number of shares of that stock bought for his account. Any other purchases made for him would follow in regular order under first entry, which will also explain entries on *pages indexed "B" and "J."* As to how many pages would be left for each Customer will depend upon whether he is an active *operator* or an occasional dealer. When the deals are closed out for either stock, the entry is erased for that particular stock, and those not erased on the left would show *long stocks* still held, and on the right it would show the *shorts* still out.



LONG AND SHORT BOOK.—(CONTINUED.)

	100 Adams. PACIFIC MAIL.
100 Jones.	ST. PAUL.
50 Brown.	UNION PACIFIC.
500 Smith.	U. S. STEEL.

BLOTTER.

This is a general summary of each day's business, and is the all-important book of the specials. It contains 300 pages, 14 x 17, nearly square in dimensions. Two are required, one for Mondays, Wednesdays, and Fridays, the other for the alternate days, so that the bookkeeper can use one while the other is in use by the Cashier.

1st entry Oct. 2, 1901, is on the right, or "*To Deliver*," side, and shows balance in Union Bank.

2d and 3d, on same side, are for checks received as margin from JONES and BROWN.

4th is on the left, or "*Receive*," side, and is for 100 shares of St. Paul, bought from KRUSE, @ $156\frac{1}{4}$ = $15,625, for JONES. This part of the entry is made by the Cashier, and the balance is made later by the bookkeeper.

5th, on the same side, is 500 shares U. S. Steel, bought from FLOHR, @ $53\frac{1}{2}$ = $26,750, for SMITH.

6th is on the right and is for 100 shares of Pacific Mail sold to PORTER @ $42\frac{1}{8}$ = $4,212.50, for ADAMS. This part of entry only is made by Cashier, the balance is made later by Bookkeeper. As we did not have the 100 Pacific Mail, we borrowed it of SELIG, @ 43 = $4,300, which required

7th entry on the left, and is posted later at the debit of *Borrowed and Loan* account.

As a matter of courtesy we executed ADAMS' order before we received his margin. If it was not forthcoming the following day, we would call for it in short order, although we know him to be good for his contracts. If he failed to respond promptly, we would close out the deal at once for self-protection and hold him for the difference. Brokers have great respect for nature's first law—self-preservation or self-interest.

8th entry is made in the *Borrowed and Loan* book and explains itself.

9th is on the left side of the *Blotter*, and is for 50 shares of Union Pacific, bought from VERMILLE & Co. @ 97 = $4,850, for BROWN.

At this stage of the day's work the *Cashier* begins to *size up the situation*, to see if he will have ample means to meet his obligations. The firm's commitments amount to $51,525. See *footing* of amount column on the "*Receive*" *side;* and all there is in sight to take care of them is $15,959.66. See footing of amount column on the "*Deliver*" *Side.*

It becomes necessary, therefore, to borrow enough money to cover the deficiency and still *maintain the average balance in Bank;* hence he negotiates a *loan* with THE POWHATTAN TRUST Co. for $45,000 @ 5%, which requires

10th entry, and is on the "*Deliver*" side, and the 11th entry, which appears in the *Cash-Loans* book. He makes his Deposit. See stub of *check book.* He then balances and closes *his* part of the *Blotter* for the day and turns it over to the bookkeeper, who calculates the commission and makes the extension into the *Total Amount* column on both sides. He aggregates the commission on both sides, making $93.75, and the Revenue stamps $2.00, which he enters on the "Deliver" side in the *Total Amount* column, then balances and closes *his* part of the *Blotter.* The extension in commission column, $14.50 on the "Deliver" side, includes $2.00 Revenue, which in summarizing appears separately. His

balance must agree with the Cashier's balance. He then posts the work of the day. The entries in *Total Amount* column on the "*Deliver*" side are carried to the *credit* side of the Ledger accounts named in the *Account space* on that side, and those on the "*Receive*" side are carried to the debit side of the Ledger accounts named in the similar space on that side of the *Blotter*.

Before the Cashier turns the Blotter over to the bookkeeper, however, he makes an *abstract* from *Blotter* which he compares with the *Clearing House Sheet*, and which must agree with it; hence is a check on the correctness of the latter, which is made by a *junior clerk*.

As the abbreviations for some of the stocks are very much alike when carelessly written, a small rubber stamp is required by the Clearing House to be used for certain stocks on the *clearing sheet*.

The necessity for this great precaution is due to the fact that the *Clearing House* authorities impose a fine of $5.00 for each and every error in the *sheet*.

The 50 shares of *Union Pacific* does not appear on the *Clearing sheet* owing to the fact that the *Clearing House* does not recognize deals for less than 100 shares. On both sides of Blotter we notice P. O. (Paired Off), which signifies that the 100 Pacific Mail is a *stand off* as far as delivery is concerned.

TO RECEIVE, *Tuesday, Oct. 1st, 1901.*

Ledger Page.	From Whom Bought.	No. of Shares or Dollars.	Description.	Price.		Amount.		Commission.		Total Amount.		Account.	Numbers.
1	P. A. Wright....	500	So. Railway Company.									Capital Acct....	
	Do.	400	N. Y. Central.....									Do.	
	Do.	10 M.	U. S. Gov. 4's.....									Do.	
1	Smith.	50	N. Y. Central.....									Smith.	
	Do.	25	So. Pacific.....									Do.	
1	.....		Balance.....			$10,947	16			$10,947	16	Union Bank.	
						$10,947	16			$10,947	16		

TO DELIVER, *Tuesday, Oct. 1st, 1901.*

Ledger Page.	To Whom Sold.	No. of Shares or Dollars.	Description.	Price.		Amount.		Commission.		Total Amount.		Account.	Numbers.
1	Check T. P. Noble.					$10,947	16			$10,947	16	Capital Acct.	
						$10,947	16			$10,947	16		

TO RECEIVE, *Oct. 2d, 1901.—Wednesday.*

Ledger Page.	From Whom Bought.	No. of Shares or Dollars.	Description.	Price.		Amount.		Commission.		Total Amount.		Account.	Numbers.
1	Kruse.....	100	St. Paul.	156¼		$15,625		$12	50	$15,637	50	Jones.	Kune, Low & Co., at 157.
1	Flohr.....	500	U. S. Steel.	53½		26,750		62	50	26,812	50	Smith.	Van Slack & Co., at 54.
2	Selig	100	Pacific Mail.	43	3%	4,300				4,300		Borrowed.	P. O.
1	Vermille.....	50	Union Pac.	97		4,850		6	25	4,856	25	Brown.	
1	.....		Balance.			9,434	66			9,434	66	Union Bank.	
						$60,959	66			$61,040	91		

TO DELIVER, *Oct. 2d, 1901.—Wednesday.*

Ledger Page.	To Whom Sold.	No. of Shares or Dollars.	Description.	Price.		Amount.		Commission.		Total Amount.		Account.	Numbers.
1	.....		Balance.			$10,947	16			$10,947	16	Union Bank.	
2	Porter.....	100	Pacific Mail.	42⅛		4,212	50	$14	50	4,198		Adams.	P. O.
1	Check J. Jones.					500				500		Jones.	
1	Check Brown..					300				300		Brown.	
2	Loan Powhatan Trust Co. ...					45,000				45,000		Cash Loans.	
2	.....		Sundries.							93	75	Commissions.	
2	.....		Do.							2		Int. Rev. Ac.	
						$60,959	66			$61,040	91		

After business closes on the *Exchange*, our clerk fills out the *Deliver* tickets which the Clearing House furnishes in blank form, 3 × 7, printed in red ink, like

EXHIBIT A.

No. 39 *New York*,.....190..

CLEARING-HOUSE OF THE (NAME OF EXCHANGE) EXCHANGE,

DELIVER TO.....

.....*shares*.....@.....$.....

for account of the undersigned.

.....

which he delivers to the brokers who bought stock of us during the day, and receives in exchange a *Receive* ticket, which is also furnished by Clearing House, in blank form, 3 × 7 canary-colored paper, black print, like

EXHIBIT B.

No. 39 *New York*,.....190..

CLEARING-HOUSE OF THE (NAME OF EXCHANGE) EXCHANGE,

RECEIVE FROM.....

.....*shares*.....@.....$.....

for account of the undersigned.

.....

The reason for having different colors is to identify quickly and facilitate assorting the matter.

The seller is the one who effects the exchange of tickets. The time for delivery of stocks is 2:15 P.M. *sharp*. In case one fails to be on time, and others cannot deliver for him, we have the right to buy the stocks of another broker and hold the delinquent broker for the difference.

As a matter of fact we did not receive from KRUSE & Co. the

100 St. Paul bought of them, nor did we receive the 500 Steel bought of FLOHR & Co. direct from them, but we were informed by the Clearing House that KUNE, LOW & Co. would deliver the former and VAN SLACK & Co. would deliver the latter, which facts are noted on the Blotter in the space headed "*Number*," which would also show the number of the certificates.

It is obvious, therefore, that we do not necessarily receive from those from whom we buy, as the Clearing House people can match the orders to suit their own convenience, it being immaterial to us who delivers the stocks so long as we get them; but if it came to an issue of *demanding* the stocks, we hold the brokers from whom we bought, as in the case of a stock that is *Cornered*.

The *Clearing Sheet* must be made at the price established by the Clearing House (in whole numbers) at the close of the day, which the tape indicates following last *bid* and *asked* and *high* and *low*.

EXHIBIT C.

This is the form of ticket we fill out for stocks to be received from others than those from whom we bought. This form is furnished by the Clearing House and is the only kind brokers are permitted to use. It is $3\frac{1}{2} \times 5\frac{1}{2}$ canary-colored paper, black print.

CLEARING-HOUSE OF THE (NAME OF EXCHANGE) EXCHANGE.

THE UNDERSIGNED WILL RECEIVE THE FOLLOWING BALANCE OF STOCK AT THE DELIVERY PRICE.

SHARES.	STOCKS.	RECEIVE FROM	
100	St. P. @ 157	Kune, Low & Co.	

DATE *Oct. 2, 1901.* NAME *P. A. WRIGHT & CO.* No. *39*

EXHIBIT D.

In case we have to deliver stocks we would fill out form, $3\frac{1}{2} \times 5\frac{1}{2}$, red print, like this, which is also furnished by the Clearing House.

CLEARING-HOUSE OF THE (NAME OF EXCHANGE) EXCHANGE.

THE UNDERSIGNED WILL DELIVER THE FOLLOWING BALANCE OF STOCK AT THE DELIVERY PRICE.

SHARES.	STOCK.	DELIVER TO	
		.....	
		.....	
		.....	
		.....	

DATE

..... NAME..... .....No.....

EXHIBIT E.

This is the form of draft (usually tinted paper, to guard against erasures; size, $3 \times 8\frac{1}{2}$) we make on the POWHATTAN Co., which we assume is the Clearing House's depository, for *balance* due us according to *Clearing Sheet.*

Clearing-House of the (Name) Exchange Approved.

Manager.

No. 39 *New York,* Oct. 2 *1901*

Powhattan Company

Pay to the order of the undersigned

Two hundred and thirty-seven 50/100 *Dollars.*

as advised this day by the Clearing-House of the (Name) Exchange.

$ 237 50/100 *P. A. WRIGHT & CO.*

CLEARING HOUSE SHEET.

These sheets are furnished by the Clearing House in blank form like the following. The Clearing House assigns a number to each patron. Our number, being 39, appears on this sheet, also on other forms and books as will be noticed.

The price of St. Paul 156¼ and U. S. Steel 53½ on the *Receive* side of Clearing Sheet is the price at which we bought in each case, and on the *Deliver* side the price of the former is 157 and of the latter 54, which is the *Clearing* prices for each.

On the *Deliver* side of *Sheet* the price of Pacific Mail is 42⅛, at which we sold 100 shares, but it advanced during the day and closed at 43, which coincides with the Clearing House price and appears on the *Receive* side for the 100 shares. This form is also furnished by Clearing House.

A copy of each of the foregoing Exhibits (A, B, C, and E) must be attached to *Clearing Sheet* before submitting it. Two tickets like Exhibit C are required in this case, as we are to receive two lots of stocks. We had no stocks to deliver on this date, hence no ticket D would be attached.

The business of one day is cleared on the following day.

EXD.....
CKD.....

CLEARING-HOUSE OF THE (NAME FO EXCHANGE) EXCHANGE.

No. *39*

NEW YORK, *Oct. 2* 1901 OFFICE ADDRESS, *148 W. 14th Street.* CLEARING SHEET OF *P. A. Wright & Co.*

Received From	Shares.	Stock.	Price.	Amount.		Deliver To	Shares.	Stock.	Price.	Amount.	
Kruse	100	St. Paul	156¼	$15,625		Porter & Co.	100	Pacific Mail	42⅛	$4,212	50
Flohr & Co.	500	U. S. Steel	53½	26,750							
Selig	100	Pacific Mail	43	4,300		Balance to Receive	100	St. Paul	157	15,700	
						Do. do. do.	500	U. S. Steel Co.	54	27,000	
Bal. Draft				237	50						
	700			$46,912	50		700			$46,912	50

BORROWED AND LOANED BOOK.

This is also a double-page book uniform in size with the others. On the left, or page 2, "Borrowing," and on the right, or page 3, "Loaning."

BORROWING.

Date.		No. of Shares.	Stock.	Rate.	Price.	Amount.		Returned.
1901. Oct.	2	100	Pacific Mail.....	3%	$43	$4,300	00	

LOANING.

Date.		No. of Shares.	Stock.	Rate.	Price.	Amount.		Returned.

CASH LOANS BOOK.

This book is also uniform in size with the others and contains 250 pages or more. The page is headed with the name of the company from whom we borrow, the amount borrowed and the rate of interest. The date on the extreme left, beneath follows the number of shares of each stock hypothecated or put up as security, also the number of each certificate.

Oct. 2, 1901. | Powhattan Trust Co., 5%, $45,000.
100 St. Paul (Numbers).
500 Steel (Numbers).
50 Union Pacific (Numbers).
300 So. Railway (Numbers).

SECURITIES BOOK.

This book is also uniform in size with the others and needs to have only about 100 pages.

At the close of each day we show list of securities on hand, which must be verified by the contents of our *strong box*, where they are *under lock and key*. One member of the firm usually attends to this matter of verification, thereby forestalling peculation of a dishonest cashier.

On closing the business for Oct. 2d we make another summary.

It will be noticed that the only change is in Southern Railway, 300 shares of which was used in negotiating loan with Powhattan Trust Co., and appears in the CASH LOANS book with those acquired during the day.

SECURITIES ON HAND, *Oct. 1, 1901.*

500 So. Railway.
10m U. S. Gov. 4s.
450 N. Y. Central.
25 So. Pacific.

Oct. 2, 1901.

ST. PAUL.

100 Jones. 100 Cash Loan.

STEEL COMPANY.

500 Smith. 500 Cash Loan.

PACIFIC MAIL.

100 B. & L. 100 Adams.

UNION PACIFIC.

50 Brown. 50 Cash Loan.

SOUTHERN RAILWAY COMMON.

500 on hand. 300 Cash Loan.
200 Over.

500 500

SECURITIES ON HAND, *Oct. 2, 1901.*

10m U. S. Gov. 4s.
450 N. Y. Central.
25 So. Pacific.
200 So. Railway Com.

When one side of the line is full we continue on the other side.

MARGIN BOOK.

This need not be a book, as a large silicon slate with many pages would answer the purpose. In case a book is used, the entries would be made with a pencil, as they would be subject to many changes during the day, when market is very active.

First entry on the right of the page would be the amount of Margin the customer has. The next entry would show the stocks bought or sold and the price, extensions being unnecessary.

JONES.

Margin, 500.

100 St. Paul, @ 156¼.

As St. Paul advanced to 157 during the day, no change is necessary in the margin, which can easily be seen remains intact. All that is necessary is to watch the fluctuations in the price of St. Paul, and in case it declines three or four points, more margins would be required, as each point declined below 156¼ would reduce his margin $100.

STOCK LOANS BOOK.

This is a small pocket memorandum sent over to the broker on the floor of the Exchange in case we wish to borrow or lend stocks. The figures at the head of the small spaces indicate the date borrowed and the figures *in* the spaces are the interest rates for that day. On Monday we borrow for Tuesday, and so on to Saturday, when we borrow for Monday. No borrowing on Friday.

BORROWING.									LOANING.						
		OCTOBER	1	2	3	4	5								
100	Pacific M.	Selig.		3											

EXHIBIT F.

The following form and matter would be printed on a large envelope, 4 × 10, in which would be enclosed the securities we

put up when negotiating a loan, which must be verified and would be held until we *paid off* the loan and then returned to us.

DEMAND LOAN.

P. A. WRIGHT & CO.

Borrow from....*Powhattan Trust Co.*.....

.....*Oct. 2.*.....1901

.....*$4,500 00*.....amount.

.....*5%*.....rate.

100	St. Paul.		
500	Steel.		
50	Union Pacific.		
300	So. Pacific.		

COUPONS AND DIVIDENDS BOOK.

This is a small blank book without ruling in which would be kept a list of dividend-paying stocks that our customers deal in. It will show the date the dividends are payable, also the amount.

One half of this book will show the same facts in relation to *Coupons*. When either or both are received, and all belong to one customer, his account would be credited the day received on the "*Deliver*" side of the *Blotter*. If either or both belong to several customers, the amount of either would be credited to *Dividend* or *Coupon* account, as the case may be, in *lump sum*, and distributed among the customers' accounts through the Journal, charging Dividend (or Coupon) account, and crediting each customer with his part of either or both. Coupons can be deposited same as a check.

JOURNAL.

This is an ordinary two-column book like the one on page 82. Nothing has occurred thus far in this business that requires a Journal entry.

LEDGER.

CAPITAL ACCOUNT.

Dr. *Cr.*

1901.						1901.					
Oct.	1	500 So. Railway...				Oct.	1	T. P. Noble.....		$10,947	16
		400 N. Y. Central.									
		10m U. S. Gov. 4s.									

UNION BANK.

Dr. *Cr.*

1901.						1901.					
Oct.	1	Balance.....		$10,947	16	Oct.	2	Sundries.....		$10,947	16
	2	"		9,434	66						

JOHN SMITH.

Dr. *Cr.*

1901.											
Oct.	1	50 N. Y. Central.									
		25 So. Pacific....									
	2	500 U. S. Steel....	53½	$26,812	50						

J. JONES.

Dr. *Cr.*

1901.						1901.					
Oct.	2	100 St. Paul.....	156¼	$15,637	50	Oct.	2	Check.....		$500	00

W. BROWN.

Dr. *Cr.*

1901.						1901.					
Oct.	2	50 Union Pacific..	97	$4,856	25	Oct.	2	Check.....		$300	00

LEDGER.

Dr. **JOHN ADAMS.** *Cr.*

								1901. Oct.	2	100 Pacific Mail...		42⅛		$4,198	00

Dr. **BORROWED AND LOAN.** *Cr.*

1901. Oct.	2	100 Pac. M. Selig.			$4,300	00									

Dr. **CASH LOAN.** *Cr.*

								1901. Oct.	2	Loan Pow. T. Co.				$45,000	00

Dr. **COMMISSION.** *Cr.*

								1901. Oct.	2	Sundries.....				$93	75

Dr. **INTERNAL REVENUE.** *Cr.*

								1901. Oct.	2	Sundries.....				$2	00

CHECK BOOK.

Filling out checks is an easy formality, hence the check part of the book is omitted here. All we need for present purpose is the stub. On the left of the dividing line is the entry of deposit on back of stub, and on the right are the entries for checks issued.

CHECK BOOK.

DEPOSITS.			CHECKS DRAWN.	
Oct. 1—P. A. Wright		$10,947.16	Oct. 2—Kune, Low & Co.	
" 2—Jones	$500		100 St. Paul	$15,700
Smith	300		Van Slack & Co.	
Pow. Trust	45,000		500 Steel Com	27,000
C. H. Dft	237.50	46,037.50	Vermille & Co.	
			50 Un. Pacific	4,850
		$56,984.66		$47,550

STATEMENTS.

New York Stock Exchange firms render monthly statements like form No. 2 on page 315. Form No. 1 is peculiar to some of the firms on the Consolidated Exchange. The former charges interest for every day, that is, deals closed during the week bear interest for each day until closed. The Consolidated Exchange brokers charge interest only when long stocks are carried over Sunday, but they charge for full week. In case a deal is made on Monday and closed on Saturday or any other day of that week no interest is charged, but if made on Saturday or any other day and closed the following Monday it bears interest at the prevailing rate for one week.

No interest is credited on the short sales while the stock is carried, as that part of interest is a legitimate perquisite of the broker, but in space for days appears the word *flat*. When the deal is closed, the *customer* is entitled to interest on the amount from the date closed to end of the month, or time of rendering his statement.

CONTINGENT POINTS.

If we sell any of the Securities which had been previously hypothecated in negotiating loans, it becomes necessary to withdraw them and substitute others of equal value; this proceedure is called "making substitutions."

Suppose, for instance, that we borrowed $50,000 @ 5% from New York Bank, Oct. 6, 1901, giving as collateral

500 Un. Pacific @ 96,
100 Anaconda @ 34,
100 So. Pacific @ 56,
100 So. Railway @ 32.

We subsequently sell the 100 Anaconda and 100 So. Pacific and issue a substitution form, $5\frac{1}{2} \times 8\frac{1}{2}$, like

EXHIBIT G.

P. A. WRIGHT & CO.,
148 WEST 14TH STREET.

New York,.....190

To.....

Loan..... .....

We wish to withdraw the following securities:

and substitute in place thereof

Respectfully,
P. A. WRIGHT & CO.
Per.....

Calling in these stocks of N. Y. Bank, and at bottom of same form we name the stocks that we desire to substitute, say 100 Sugar @ 114. The Anaconda and So. Pacific are put in at value

of $9,000, but the Sugar has a valuation of $11,400, hence strengthens the loan $2,400, which gives us more than the required 20% margin. When we make another *substitution*, therefore, we can withdraw $2,400 more than we put in at that time. The above changes are noted in the *Cash Loan book* by drawing red line through Anaconda and So. Pacific, writing on the left, "Withdrawn Oct. 7, 1901," and at the bottom of first list we add 100 Sugar @ 114, writing on the left, "Put in Oct. 7, 1901." When the loan is eventually paid off, the list of securities will of course be entirely different from the one showing those originally pledged.

When the market *breaks* or *advances* sharply, it is then a case when borrowed or loaned stocks have to "marker to the market," as it is called. It is a Cashier's duty to keep a close watch of prevailing quotations.

If he had borrowed 100 Pacific M. @ 43 and it declines to 38, he must call upon the party from whom he borrowed to pay the difference, $500.

If it *reacts*, he can be called upon to refund the difference between 38 and the present price. In case of a *mark down* or *mark up* the entries on the BLOTTER would be the following (those on the "Deliver" side in these cases are *counter* to those first made on the "Receive" side when we borrowed the stock—in other words, practically cancels first entries; and the entries here on the "Receive" side are the same as if new transactions at reduced price in first instance and advanced price in the second instance):

MARKING DOWN.

To RECEIVE.	To DELIVER.
Kruse, 100 Pc. M., 38, 3,800, B. & L.	Kruse, 100 Pc. M., 43, 4,300, B. & L. Interest.

MARKING UP.

To RECEIVE.	To DELIVER.
Kruse, 100 Pc. M., 47, 4,700, B. & L.	Kruse, 100 Pc. M., 43, 4,300, B. & L. Interest.

In these transactions checks for differences only are passed. When *marked up* we *issue* check for $400 less the interest due us;

but if *marking down* is the order we *receive* check for $500 plus the interest due us. We would then mark off the old loan in "return" space in *Borrowed and Loan* book and enter new loan therein, observing date in both cases.

WHEN THE MARKET BREAKS.

In case of a *violent break* Cash Loans must be re-margined to maintain the required 20%, hence we hand in the additional margin without waiting to be called upon for it, thereby keeping our reputation good with the lenders. It devolves upon the Cashier to attend to such matters. He fills out form $5\frac{1}{2} \times 8\frac{1}{2}$ like

EXHIBIT H.

P. A. WRIGHT & CO.,
148 WEST 14TH STREET.

New York,.....190

.....

Herewith we hand you additional margin account of our loan dated,.....$

Respectfully,
P. A. WRIGHT & CO.

.....

New York.....190

Received of P. A. WRIGHT & CO., additional margin account of our loan dated,.....$

.....

DIVIDENDS.

When the books are closed for dividend purposes, the stocks should be transferred, which deprives the firm of their use for 24

hours, the time required by transfer office. Small concerns cannot afford to do this, hence they call upon the party in whose name the stock stands for a due bill for the dividend, like

EXHIBIT I.

$3\frac{1}{2} \times 7\frac{1}{2}$. Printed with large primer type, black ink.

New York,... I

Due.....

or order, the Dividend declared by the.....

.....

.....I , on .....Shares of their Stock, payable when collected of the Company.

.....

A collection charge of 1% is usually exacted by the party that issues due bill, for his trouble, which is charged to *Collection* account.

Buying ten Government Bonds is equivalent to buying 100 shares of stocks, but the commission is only half as much on Bonds. ($\frac{1}{16}$ = $6.25 on 10 Bonds and $\frac{1}{8}$ = $12.50 on 100 shares.)

EXHIBIT J.

When we desire to pay off loan or return borrowed stocks, we submit the following form, $3\frac{1}{2} \times 8$, properly filled out.

New York,.....190

To.....

We will.....to-day .....

.....

P. A. WRIGHT & CO.

BUYER THREE DAYS.

Some transactions are made on the floor of the Exchange "at 3 days," which means the buyer has three days of grace in paying for the stock.

For instance, we buy 200 shares of St. Paul on the 4th @ 154. Instead of putting the deal through our books on the 5th we hold it over until the 7th, thereby saving two days' interest to ourselves and customer. The reason for these transactions is that the seller is not willing to offer his stock $\frac{1}{8}$ below prevailing price, but rather than lose the sale he is willing to allow the extra three days in paying for the stock.

This deal would appear on the tape as 200 St. P., 154, 3.

STOCK CERTIFICATES.

Certificates are made out with the name of the party to whom issued on the face of them.

When they are to be carried as margin, however, it is customary for them to be made out in the broker's name, so that he may not lose control of them.

They must be endorsed on the back exactly as the name is written on the face, witnessed, and dated.

If the certificate is made in the name of another party than a broker, it is necessary to have a broker endorse it to make a *good loan.*

Certificates in a woman's name are acceptable as collateral for loans with a Stock Exchange name on them, but would not be accepted as a regular delivery if sold. The stock must be transferred to a man's name, usually the name of the broker who officiates in the matter.

Certificates for 100 shares or less require a 25-cent revenue stamp, which must be cancelled with initials and date.

THE APPENDIX.

After reading the foregoing pages carefully, it will be an easy matter to find answers to the following questions, as the figures in parentheses on the right of each question indicate the page on which the answer thereto is located, at least in substance, if not in so many words:

1. What is bookkeeping in its simplest sense? (23) 2. What is an *account?* (17) 3. What is meant by *opening an account?* (20) 4. What is meant by *on account?* (20) 5. What is an *entry?* (19) 6. What is a *double-entry?* (19) 7. Upon what great principle is double-entry founded? (29) 8. How many classes of accounts have we? (28) 9. Name them? (28) 10. What is the difference between *representative* and *speculative* accounts? (28) 11. What do you understand by a *tangible existence?* (28) 12. What do you understand by a *nominal existence?* (28) 13. What are *personal* accounts? (28) 14. What are speculative accounts? (29) 15. What are *representative* accounts? (29) 16. What does the *debit balance* in *Personal* and Representative accounts represent? (28) 17. What does the credit balance in these accounts represent? (28) 18. What does the *debit balance* in *speculative* accounts represent? (28) 19. What does the credit balance in *speculative* accounts represent? (28) 20. What is meant by *Balance?* (18) 21. What is meant by the phrase *To Balance account?* (21) 22. What is meant by the phrase *close account?* (18) 23. What is the difference between the two phrases *balance account* and *close account?* See definition of each phrase. 24. What are the duties of an *Entry Clerk?* (19), *Bill Clerk?* (18), *Shipping Clerk?* (21), and *Call Clerk?* (18) 25. What is the first thing to be done upon assuming charge of a set of books as a successor? (26) 26. What is the next thing in order? (26) 27. If you find your cash does not agree with

Cash-book, what would you do? (27) 28. Why not learn what accounts are open on the Ledger from the Index, where they are alphabetically arranged, instead of the Ledger? (27) 29. If, upon making out your *Trial Balance*, it does not agree, what would be your conclusion after assuring yourself *your* work was correct?—*Ans. That the error originated in some previous month.* 30. What would you do in that case? —*Ans. Get the Trial Balance for the last month and prove it, if possible. If not, then report the fact to the proprietor of the books.* 31. How many rules have we governing debits and credits? (29) 32. Repeat those governing *debits* (29) and those governing *credits.* (29) 33. What is the *first law* of double-entry? (29) 34. Repeat the rules affecting *Personal* accounts (29), also *Representative* (29) and *Speculative* accounts. (29) 35. What is double-entry book-keeping? (30) 36. What are the conditions under which Personal accounts are debited (30), also those under which they are credited? (30) 37. What other signs have we for debits and credits besides the *eight short* rules and the conditions above alluded to? (30) 38. What is the usual acceptation of the meaning of the word *Journalizing?* (7) 39. What is our acceptation of its meaning? (20) In what do the principles of *Journalizing* consist? (31) 40. How many accounts must necessarily be affected by every Journal entry? (31) 41. How many forms of Journal entries have we? (31) 42. What do you understand by *the construction of an entry?* (31) 43. State how many accounts enter into the *first form,* and give the *construction* thereof. (31) 44. State what constitutes each of the other forms, and give the *construction* of each. (32) 45. How many contingencies are to be considered in making Journal entries? (31) What are they? (31) 46. What class of accounts would you dispose of first in determining whether they are to be debited or credited? (31) 47. What class is next disposed of? (31) 48. What do you understand by *Sundries?* (21) 49. Does *Sundries* as a figure-head ever appear on a line by itself in Journal entries? (33) 50. What feature is peculiar to all Journal entries? (33) 51. Would it be proper to write *Mdse. Dr. to*

Bills Payable all on one line? (33) 52. Name the four principal books? (41) 53. Name the auxiliaries as given herein? (41) 54. When would other auxiliaries be introduced? (41) 55. What do you understand by *original entry?* 56. What are the books of original entry? (41) 57. What does *posting* mean? (20) 58. When could we keep all our records on one book? (41) 59. When would it be impossible to do so? (41) 60. What facts must a book-keeper be furnished with to enable him to open a set of books properly? (42) 61. In what book or books would he make first entry or entries? (42) 62. What accounts usually appear first in the Ledger? (43) 63. What is the first step preparatory to closing the Ledger, to find out if we have made or lost money? (43) 64. What class of accounts are closed first? (43) 65. Is it necessary to make Jouanal entries to close them? (44) 66. How are they closed? (43 & 44) 67. Into what account is Profit and Loss account closed when the partners have both personal and stock accounts? (44) 68. What do you understand by *Resources* (21). also *Liabilities?* (20) 69. If Resources are greater than Liabilities, what will the excess represent? (45) 70. What proof have we that this difference is correct? (45) 71. If the liabilities are greater than Resources, what will the difference show? (45) 72. What does it mean in a single word? (20) 73. What class of accounts are reopened at the beginning of a new season? (45) 74. How are they reopened? (45) 75. If the Ledger will not last another season, what disposition is made of the balance in those accounts to be reopened? (45) 76. After using more than one Ledger, or in fact any other book, how can you tell to which book the folio references apply? (45) 77. In opening a new Ledger, where would you get the names of accounts to appear therein? (46) 78. By what system are Bank book-keepers enabled to refer to their accounts without use of the index? (46) 79. What is the first step necessary in changing single into double-entry? (46) 80. What is the next step in that direction? (46) 81. How would you ascertain by single-entry books what the profits or losses of the business were? (47) 82. What is a

Trial Balance? (21) 83. What is the two-fold object of a *Trial Balance?* (47) 84. What is the usual form of a *Trial Balance?* (47) 85. When would a *four-column* Trial Balance be advantageous?—*Ans. In a large business where there are many transactions every month, and many operations that would have to be examined, in the event an error is made.* 86. When would the first form of Trial Balance serve the purpose best? —*Ans. In a small business in which but little time would be required to locate any error that might exist.* 87. When is it proper to use *red ink?* (50 & 51.) 88. What do you understand by seeing a double red line under figures? (51) 89. What does capital account represent? (105) 90. Is it necessary to keep the partners' personal and their capital account under different headings? (105) 91. When they are so kept, how is the personal account closed? (105) 92. What does personal account represent? (105) 93. What does *Cash* represent? (18) 94. What does the debit side of the *Cash*-book show? (51) 95. What does the credit side of the Cash-book show? (51) 96. Which side must be the greater, if there is any difference? 97. What does the difference show? (18) 98. Do the discount items on either side of the Cash-book affect the *Cash* in any way?—*Ans. Not as they are introduced in our Miniature Cash-book.*

Many experienced book-keepers, however, reverse the columns; that is, for discounts allowed by our firm they enter in discount column on credit side of C. B., and the discounts we make they enter in discount column on debit side, whereby the discount becomes part of the Cash. For example, let us suppose a customer owes us $150, *which he pays in cash less* 6 *per cent* ($9.00) *or* $141 *net: it would be entered as* $150 *on debit side of Cash; and on the credit side, Discount would be charged with* $9.00, *the net result being* $141 *in favor of debit side, or the actual amount Cash received. If we paid a bill less discount, the full amount of the bill would be entered on credit side of Cash as though it was paid in full, and the discount would be credited by entering it on debit side of Cash in the discount column, as though that much had been refunded.*

This manner of keeping the discount columns falsifies our whole Cash record, showing that we receive and pay out hundreds of dollars that we never handle, although the cash will prove and the net result be correct.

99. Is it necessary to keep a *petty cash* book? (53) 100. How can it be avoided? (53) 101. When a *petty cash* book is kept what does the difference between the two sides represent? (53) 102. How often should the Cash-book be proved? (54) 103. What is the nature of the individual amounts on the *Sales-book*—are they debits or credits? (54) 104. Where do you get the counter entry for the individual amounts on the S. B. so as to have a double-entry? (54) 105. Is it proper to render a bill before making the entry on Sales-book? (54) 106. What is the official name of the clerk who makes the entry in Sales-book? (19) 107. Is it necessary to add the columns in the *Journal?—Ans. Not unless there are special columns, when it would be necessary to add every column to prove their correctness.* 108. What would likely be the result of making entries in the Ledger first? (55) 109. How would you find out how much any one owes us or how much we owe any one else? (55) 110. How often is the Ledger closed? (55 & 56) 111. What is meant by *a season?* (55) 112. Is it proper to close Ledger accounts when they balance by a concurrence of regular entries, or at bottom of the page when it becomes necessary to transfer them to another page? (56) 113. What is the advantage in carrying the footing of each account to the close of the *season?* (56) 114. How many *groups* of perpendicular red lines are there on a Ledger page? (56) 115. What constitutes each group? (56) 116. What is the object of the oblique red line on any book? (57) 117. Is it necessary to keep a bank account on the Ledger? (57) 118. Where do we keep a record of all transactions with the bank? (57) 119. Is it necessary to enter upon the stub of Check-book the name of each check constituting the deposit? (57) Why? (57) 120. Why deduct every check as soon as drawn, and not wait until all the checks on that sheet are used, or possibly until the end of the day, as many do, and deduct the

total? (57) 121. What facts should the stub from which each check is detached show? (57) 122. Why is it necessary to enter the facts thereon before filling out the check? 123. What is the object of making a check payable to *Bearer*, Cash, or Currency?—*Ans. So that any one presenting it can get the money without being subjected to the inconvenience of identification.* 124. If such a check is lost, how would you prevent its payment to the finder? (58) 125. What is the object of having a check certified?—*Ans. To assure the party to whose order it is payable that the money will be held for him by the bank.* 126. If you decide not to use the check after certification, what would you do with it; if you destroyed it you could not claim the amount it represented, nor could anybody else, without trouble? (58) 127. Is it not necessary to take the bank's receipt for money deposited therein? (58) 128. What book is used for that purpose? (58) 129. How often should the *Pass-book* be balanced? (58) 130. Will our balance in bank as indicated by our Check-book agree with the actual balance at our credit in bank as indicated by Pass-book? (58) 131. Which would likely be the greater, and why? (58) 132. What would you do with the *Vouchers* returned you by the bank? —*Ans. File them away for reference.* 133. Is it necessary to require a receipt for payments by check? Why? (60) 134. What do you understand by *Vouchers?* (58) 135. What does Bills Payable represent? (18) 136. What does the credit side of Bills Payable account show? (109) Also the debit side? (109) 137. Which side must be the greater, if there is any difference? Why? (109) 138. What will the difference represent? (109) 139. What facts should Bills-Payable-book show? (60) 140. What superfluous columns are usually found on ready-made Bills-Payable-books? (60) 141. What is meant by Bills Receivable? (18) 142. What does the debit side of Bills Receivable account show? (107) Also the credit side? (107) 143. Which side must be the greater, if there is a difference? Why? (107) 144. What does the difference in Bills Receivable account represent? (107) 145. What facts should Bills-Receivable-book set forth? (61)

146. In what particular does the Bills-Receivable-book differ from Bills Payable? (61) 147. What proof have we that our Bills-Receivable-book or account is correct? (61) 148. What is meant by *Accounts Receivable?* (17) 149. What is the difference between *Bills Receivable* and *Accounts Receivable?* (17 & 18) 150. Why is it to our advantage to get our Accounts Receivable converted into Bills Receivable? (109) 151. Under what date would you make entries in the Accounts-Receivable-book, date of purchase or date of maturity? (62) 152. What do you understand by Accounts Payable? (17) 153. What is the difference between Bills Payable and Accounts Payable? (17 & 18) 154. What do you understand by the phrase *on file* or *filing papers?* (62) 155. When would an Invoice-book be convenient? (62) 156. Why would you require employés to accept their dues weekly or periodically? (110) 157. If you desire to draw on a customer, why correspond with some bank in the town where he is located instead of drawing through your own bank? (108) 158. What record is kept of drafts before they are paid?—*Ans. None but the stub of draft-book, which should show date of draft, time to run, to whom it was sent for collection, on whom it was drawn, and the amount.* 159. What is meant by *Inventory?* (19) 160. Should the *Inventory* show cost price, selling price, or present valuation? (19) 161. What is the operation of preparing an inventory technically called? (21) 162. What does the debit side of our customers' account show (107), also the credit side (107), and the difference which might be in favor of either side, but most likely in favor of debit? (107) 163. What does the credit side of the account of those from whom we buy show (107), also the debit side (107), and the difference? (107) 164. What does *Merchandise* represent? (20) 165. What does the debit side of *Mdse.* account show (106), also the credit side? (106) 166. What will the difference show before crediting the *inventory?* (106) 167. What will the difference show after crediting the inventory? (106) 168. What becomes of the difference upon closing the Ledger? (43) 169. What becomes of the inventory? (106) 170. Why would it be imprac-

ticable to have a *Balance* account in the Ledger? (112) 171. When would *Office* Furniture account likely have a credit? (105) 172. When would *Expense* account have a credit?—*Ans. When we dispose of anything for a consideration that had been previously charged to Expense.* 173. Is Office Furniture included in the inventory at close of the season?—*Ans. Not unless it was charged to Mdse. when purchased, instead of an* OFFICE FURNITURE *account. If it had been charged to Expense when bought, Expense account would be entitled to credit by the present valuation of the furniture.* 174. What is *Interest* (20), also *Discount?* (19) 175. What is the difference between *Interest* and *Discount?—Ans. Interest means percentage added and Discount percentage deducted; they are usually combined in one account called* DISCOUNT AND INTEREST, *but can be used separately to represent any special percentage.* 176. What does Profit and Loss account represent? (111) Which side shows profits, and which side Loss? (111) 177. Is it not a misnomer as it reads?—in other words, would not *Loss* and *Gain* be more appropriate? 178. When are *Department* accounts required? (112) 179. How are *Department Expense* accounts closed? (113) 180. How are the Department accounts closed? (113) 181. How would the *General* Expense account be closed in department books? (112) 182. State the proportion. (112 & 113) 183. In long accounts, where there are many payments, how would you identify the bills covered by each payment? (113) 184. What would be the object of identifying the items that enter into each settlement? (113) 185. What is a *Balance Sheet?* (18) 186. What is the difference between a *Trial Balance* (21) and a *Balance Sheet?* (18) 187. What is a note? (20) 188. What is an acceptance? (17) 189. What is the difference between a Note and an Acceptance? (17 & 20) 190. What is a *Check?* (18) 191. What is a *Draft?* (19) 192. What is the difference between a *Check* and a *Draft?* (18 & 19) 193. What is the difference between a *Sight Draft* and a *Time Draft?* (135) 194. What is a *Certificate of Deposit?* (18) 195. What is an *Account Current?* (17) 196. What is an *Account Sales?* (17) 197. What is meant by

Net Proceeds? (17) 198. What does *Commission* represent? (17) 199. What is meant by *Averaging Accounts?* (17 & 18) 200. What accounts show profits (or losses), also assets? (27) 201. What does *Expense* represent? (19) 202. What is the first thing to be done when another partner is admitted into the firm? (54) 203. What is meant by *taking stock?* (21) 204. What is meant by the phrase "without recourse"? (21) 205. When is it used? (108) 206. What does *Suspense* account represent? (21) 207. What are the fundamental principles of a business education, that is, the necessary qualifications? (140) 208. What is the object of having *Special Columns?* (51) 209. What is the difference between Date columns and Amount columns? (55) 210. What are the most essential qualifications in a good book-keeper? (24) 211. Why should everybody understand book-keeping? (24) 212. What is the best way to learn book-keeping? (23)

TENTH AFTERTHOUGHT.

Acceptances having less than thirty days to run would be kept on temporary file on the cashier's desk until due, then paid and entered in Cash Book; hence no Journal entry would be necessary at the time of accepting the draft.

The transactions stated in paragraph 98, page 186, and paragraph 122, page 194, although both have less than thirty days to run, are carried through the *Journal* and *Bill Books* to illustrate how such matters would be treated when the time to run would be longer than thirty days, which would make the acceptances assume the nature of bills payable in the first case and bills receivable in the latter.

FIRST LESSON.

213. How many principal books do we require? Name them. 214. How many books of original entry? Name them. 215. State what each book is used for. Describe each book as to ruling, arrangement of columns, spaces, etc. 216. How many auxiliary books are introduced in this course of practice? 217. When would others be introduced? 218. What do we use the Check-book for? 219. For what purpose is the Bill-book used? 220. In which book did you make the first entry in opening this set? 221. What became of the two checks that were presumably turned over to the Book-keeper by the two partners? 222. Where did you make a memorandum showing what disposition had been made of them? 223. What was the object of depositing all the money in the bank, then immediately drawing out part of it? *Ans. Because the money deposited was in two large amounts, which would be unwieldy in making small payments; and the money drawn out was in various denominations, from pennies upward to* $10 *bills.* 224. What part of Cash-book represents the daily cash? 225. What part represents the monthly cash? 226. How often should the daily Cash-book be closed? 227. How often should the cash be proven? 228. After proving the cash each day, what is the next process called? 229. What is meant by *Balancing the Cash?* 230. What is meant by *Closing the Cash?* 231. What is the object of special columns? 232. Why is it we have a special *Expense* column on the right hand side of the Cash-book instead of the left? 233. Why do we not have a special *Mdse.* column on the credit side of C. B., as well as on the debit side? 234. How do you read the entries on the debit side of C. B.? 235. How do you read those on the credit side? 236. In posting from C. B., what amounts are transferred to the Ledger? 237. Why

must checks be endorsed in the firm name before depositing? *Ans. So that the bank may know to whom to return them if not paid; besides, the check could not be negotiated without the endorsement, if made payable to the firm's order. If the firm name is P. A. Wright & Co., and the check reads 'pay to the order of P. A. Wright,' with the '& Co.' omitted, the check must first be endorsed P. A. Wright, as it is written in the body of the check, then the full firm name underneath.* 238. Which is the proper way to endorse checks. *Ans. Turn downward the right hand end, then write across the check about two inches from the upper end,* PAY TO THE ORDER OF—(*naming the person to whom it is transferred*)—*or* FOR DEPOSIT IN—(*naming the bank*). *If the check should be turned the other way, as they often are, and endorsed across the right hand or signature end, it makes the receiving teller lose his patience, also religion (?)—in other words, swear—to have to look in unusal places for the endorsement.* 239. Why should the cash be proven every evening? 240. How would you dispose of *Cash over* or *Cash short?* 241. Explain how the Cash-book is closed. 242. Why did we add the cost of various articles of office furniture before extending the figures into the column? 243. Why not also add the cost of the several items of expense into one amount, instead of extending each line? 244. Why would it be wrong to charge the cost of the furniture in the office to Expense? 245. After several years use of the furniture, it is certainly not worth as much as it cost us: what then must be done? 246. Which of the books introduced in this set is kept by single entry? 247. What sign have we for *debiting* the bank-account; also what sign for *crediting* it? 248. What is the object of repeating *Dr.* and *Cr.* on the same page in connection with other Ledger accounts? 249. In posting from the Cash-book, do we complete the double entry in the Ledger with each transfer? 250. What part of the entry is posted from the left hand page in the C. B.? 251. Which part is posted from the right hand page? 252. Is there really any difference in the posting from C. B. and from the Journal: in other words, is there anything antagonistic to the principle enunciated in paragraph 23?

SECOND LESSON.

253. What is the first thing to decide about transactions that must be recorded in the Journal? *Ans. The number of accounts that will appear in the entry.* 254. What is the next thing to be known before we can formulate the entry? *Ans. How the accounts will be affected; that is, which will be debited and which credited.* 255. How do we conclude how many accounts will be in the entry? 256. Would it be safe to enter all invoices we find on our desk, without knowing whether they were right or wrong; that is, whether we had received the articles the bills call for? 257. How would we know the goods were in store? 258. How would we know the amount of the bill was correct? 259. After entering them, what distinctive mark do we make on them, to show that they had been entered and to prevent re-entering? 260. When should the posting be done? 261. What is our post-mark? 262. How could you determine which book of original entry the figures refer to in the folio column in the Ledger. *Ans. By the word used in the space for descriptive matter; that is,* CASH *in that space would indicate that the item was posted from C. B.* MDSE. *on the debit side of any account would indicate that the matter came from S. B.; and* MDSE., SUNDS., *or any other word on credit side of any account, would indicate that the figures meant Journal pages.* 263. How would you know how much space to assign each Ledger account? 264. How are Ledger accounts arranged for convenience? 265. What is the object of a Lock-ledger? 266. What other kind of Ledgers are kept in a large business? 267. In making *Trial Balance,* will each Ledger balance in itself? 268. In transferring figures from one page to another, what phrase would we use? 269. What phrase would we use on the page to which the transfer was made? 270. In entering sales, what word do we use in fixing the obligation? 271. What word is synonymous with it? 272. In posting from the Sales-book, do we complete the double entry with each transfer? 273. What part of the entry is transferred? 274. When would the counterpart be completed? 275. Why do we put our custom-

er's address in the Ledger account? 276. Why is it important to keep the address of employees? 277. Who are our customers in this imaginary business? 278. Who are our creditors? 279. How many forms of Journal entries have we? 280. How can we determine which form to use? 281. How do we read each form? 282. Which form would be all that is necessary? 283. What is the object of the others? 284. Suppose we buy and receive goods from three firms on account, in what book would we record the facts? 285. How many accounts would there be in the entry? Name them. 286. Which form of entry would it be? 287. What explanation would you make, showing what had transpired? 288. What is meant by the phrase *On file?* 289. What is meant by the phrase *On account?*

THIRD LESSON.

290. What is a note? 291. What is a note made by another person or firm called? 292. What is *our* note called? 293. If we receive a note from a customer to settle his account, less a certain discount, in which book would you enter it? 294. How many accounts would be in the entry? 295. Which form of entry would be required? 296. How do you know? 297. Give your reasons for your debits, also for your credits in the entry? 298. What is most important to state in every entry relating to notes? *See answer to questions* 139 *and* 145, *in Appendix.* 299. What is the difference between an *entry* and a *memorandum*? 300. If we give a creditor our note to settle his account less a certain discount, in which book would you enter it? 301. How many accounts would be in the entry? 302. Which form of entry would be applicable? 303. How do you know? 304. State your reasons for debiting some; also for those you credit. 305. Where do we make an extra memorandum of all notes we issue; also those we receive? 306. How do you fix the date of maturity. *Ans. By counting the actual num-*

ber of days remaining in that month, from the date of note, and adding to it as many days in the next month or months as are required to make the full time of the note, and adding three days of grace. If the note reads so many months after date, then count the months without reference to days in each, adding three days to the same date in the last month as the day indicating date in the first month. 307. Name the first account in your entry of the *Third Form.* 308. Name the *second* account in your entry of the *Second Form.* 309. Would you put the Ledger folios or *post-marks* in red ink or black? When would it be proper to use red ink? See page 50, *Rules for Use of Red Ink.* 310. Why would it be objectionable to use red ink for *post-marks? Ans. Because it would be bad taste, and be waste of time changing from one pen to another.*

FOURTH LESSON.

311. What is meant by re-opening the Cash-book? 312. Would you re-open it at night, or in the morning? *Ans. In the morning, upon beginning the day's work; on the same principle that when we close our door at night, we do not re-open to have it ready for entrance next morning, but leave it closed until ready to enter, then re-open it.* 313. Would you repeat the month or *ditto it* (thus, „) each day? *Ans. No, because that month would be understood until next month is written.* 314. Would you repeat the day of the month or *ditto* it the same way with each entry? *Ans. No, because the book is closed by red lines daily, and the same date would be understood for every entry between the closing lines.* 315. If you receive a check from a customer to settle his bill, less a certain discount, where do you enter the check received? 316. Where do you enter the discount? 317. Would the discount be lost or gained? 318. In disposing of the discount, which form of entry would be required? 319. What disposition is made of all checks we receive? 320. If we wish to pay a creditor's bill of $500, less 6% discount, how much

would we have to pay? 321. How would we pay such a large amount? 322. Would you fill out the check or the *stub* first? 323. What matter would be important to have appear on the stub? 324. Where would you enter the check issued? 325. Where would you enter the discount? 326. What form of entry would be required in disposing of it? 327. Would the discount be made or lost? 328. How would you dispose of little items of expense? 329. If a salesman draws part of the money due him, where would you enter it? 330. What account would you charge it to? 331. What is usually the last entry made on the Cash-book each day? 332. How do we arrive at the amount of retail sales? 333. Where do we enter the money received for retail sales? 334. Repeat the five questions that arise in proving the cash, giving the answers to each in order. 335. Repeat the five questions arising in counting the money in the drawer; also the answers thereto, in order.

FIFTH LESSON.

336. We received a note from Miller Bros., in a previous lesson: when is it due? 337. Where will you look to find out? 338. If we did not want to wait until due for the money, how could we get it? 339. What do you understand by *unexpired time?* 340. How do you figure discount? 341. Where would you enter money received for the note? 342. Where would you make an extra memorandum, showing where the money was? 343. Where would you make an extra memoradum, showing the note had been disposed of? 344. Would we make or lose by having the note discounted? 345. What name do we adopt as an account, to represent the difference between the face value of the note and its present worth? 346. In what book would we enter the difference alluded to? 347. Which form of entry would be required? 348. What is a draft? 349. If a creditor draws on us at sight,

what action would we take on presentation of the draft at our office? 350. How would we pay a draft of large amount? 351. Where would we enter the money given in exchange for the draft? 352. What account would we charge the money to? 353. If we hand the porter and office-boy their pay in cash for services, where would we enter it? 354. What account would we charge it to? 355. If we had many employees, how would we keep their account? 356. How would we dispose of the matter when they are paid? 357. How would their names be arranged when part of them are manufacturers, and part office-help? 358. What account would the money paid manufacturers be charged to? 359. In deducting checks from balance in bank, where would you locate the figures to be deducted? 360. Why not close to last balance? 361. If we buy goods and give our note in settlement, in which book would we record the facts? 362. How many accounts would be in the entry? Name them. 363. Which form of entry would be reproduced? 364. If somebody with whom we have no account buys goods of us, and settles by note, how would the matter be disposed of? 365. The proposition is the reverse of the foregoing; why not dispose of it in the reverse order, therefore, and in the same way and place? 366. Our first Journal entry in this lesson is *Interest Dr. to Bills Receivable*, and must be disposed of first, in place of the entry in paragraph 80. We open an *Interest* account on page 9, in the Ledger opposite on the same line with *Bills Payable*, which is on page 8, and on the debit side write

Jan'y. 12 to B. R. 1. 47,

then turn to the *Bills Receivable* account at top of page 8, and write on the credit side

12 ,, Int. 1. 47,

proceeding with the other Journal entries in order as directed. In paragraph 81, we say, "Post from the *Sales-book*," etc., when in fact there have been no entries made on that book, this lesson, and for that reason there is nothing to post from that book.

SIXTH LESSON.

367. How do we raise money when we are short of funds, and have no accounts due that we could draw against? 368. What regulates the rate of interest charged by Banks? 369. If we borrow money of *our Bank*, would we make or lose the percentage they charge us for the use of the money? 370. If we wish to know at the end of the year what this particular kind of percentage amounts to, how would we be able to find out? What is the difference between *Discount* and *Interest*, as they have been introduced in this course? 371. Where would we enter the money received from the bank for our note? 372. What two accounts would be affected by the entry? 373. Where would we make an extra memorandum, showing where the money was? 374. Where would we make an extra memorandum of the note given to the bank? 375. Where would we record, having lost the percentage the bank charged us? 376. How many accounts would be in the entry? Name them. 377. Which form of entry would it be? 378. Would you enter in Cash-book each check as soon as issued? 379. When would you enter them? 380. What would be your object? 381. If a customer returns damaged goods, where would you enter the matter? 382. How many accounts would be affected by the entry? Name them. 383. Which form of entry would it be? 384. If a customer demurs against our charge for Case and Cartage, and it is deemed advisable to allow it to him, what account would you charge it to? 385. Where would you make your entry? 386. What form of entry would you use? 387. In paragraph 89, we say "Credit Davis & Co., $4.00 allowance for *Case* and *Cartage*." It should be $2.50, as they were charged $1.25 Jan'y 1 and not $1.50; and bill of Jan'y 12 was cancelled and so not in their account, and therefore no case and cartage is charged to them, on that date. In order not to interfere with your final results, making them disagree with proof figures, carry the $4.00 to their credit as though it was right. 388. What word is used in the first entry on the credit side of every account in the Ledger? 389. What word is used on the

debit side? 390. Are they ever repeated in the same account with subsequent entries? 391. What is always repeated?

SEVENTH LESSON.

392. Suppose you receive notes from two firms at the same time, to settle their account less discount: in what book would you make a record of the facts? 393. How many accounts would be affected by the entry? Name the debtors: also the creditors. 394. Which form of entry would you use? 395. Why would not one explanation suffice for both notes? 396. Suppose we transfer one of the notes to our creditor on account, charging him its present worth: in what book would you make an entry? 397. How many accounts would be involved? Name the debtors: also the creditors. 398. Which form of entry would you use? 399. If a creditor draws on us at ten day's sight for part of what we owe him, what action would we take on presentation of draft? 400. What is our acceptance called? 401. Where would you make a record of the acceptance given to another? 402. Where would you make an extra memorandum? 403. How would you state the *time to run* in contra-distinction to the time of an ordinary promise to pay?

EIGHTH LESSON.

404. If a customer requsts us to draw at sight for what he owes us, less discount, how would you proceed in the matter? 405. Upon receiving returns for the draft, would you immediately dispose of the discount and the deduction made by the bank for collecting? 406. When would you dispose of them? 407. What do you understand by the phrase *Exchange on New York*, or *New York Exchange*? 408. What do you understand by *Exchange* as introduced here? 409. Where would you en-

ter money received in return for drafts? 410. Where would you make a double entry of all the differences arising in this day's cash collections? 411. How many accounts will be affected by the entry? 412. Name the *debtors:* also the *creditors.* 413. Which form of entry will serve your purpose best? 414. If we buy goods C.O.D., where would you make the entry? 415. What accounts would be affected? 416. What do you understand by C. O. D.? 417. If we sell goods C.O.D., how would you dispose of the matter? 418. What is the importance of an explanation in every entry? 419. Suppose the note we transferred in a previous lesson is returned to us, where would you make a record of the facts? 420. How many accounts would be in your entry? Name the debtors: also the creditors. 421. What form of entry would you use?

NINTH LESSON.

422. If a customer includes in his remittance to you, money to be handed to another, how would you dispose of the matter on the books? 423. How would many book-keepers dispose of it? 424. What is another firm's acceptance called? 425. If another firm accepts our draft on them at 15 days sight, in which book would you enter it? 426. What accounts would be affected by the transaction? 427. Which form of entry would be used? 428. Where would you make an extra memorandum of the acceptance?

TENTH LESSON.

429. How often should we refer to our Bill-books? 430. When our notes are payable at our bank, does it require our check to be sent there to meet it? 431. Where do we make a memorandum, showing the bank paid it? 432. Where would

you make a record of having paid a note? 433. What accounts would be in your entry? 434. In advancing money to a salesman for expenses, what is the object of giving him a check for part of it? 435. Why would it be wrong to charge to account already opened in his name? 436. What proof have we that our figures are correct, upon adding the monthly cash columns? 437. Explain the peculiar way of closing the monthly cash? 438. Explain how the Sales-book is closed monthly? Paragraph 138 we say "omit *case and cartage*, $1.25." By referring to the entry alluded to on the sales book we notice that case and cartage was $1.50; we will omit it, however, and to make the $213.25 correct, we charge the cuffs at $3.65 instead of $3.60. 439. What entry is peculiar to the Journal on the last day of every month? 440. Is book-keeping sense, so to speak, always in harmony with common-sense? 441. Give an instance where it is not.

ELEVENTH LESSON.

442. What is a *Trial Balance?* 443. What is its two-fold object? 444. How would you proceed in making a Trial-balance? 445. What would you consider the most difficult error to find.

TWELFTH LESSON.

446. What distinctive feature in our Journal, the second month, that it did not possess first month? 447. What is peculiar in our second month Cash-book? 448. What is the advantage of this peculiarity? 449. Do you include the figures in the discount columns, in proving your cash? 450. Why locate the *Balance* brought forward from last month in the *Amount* column instead of *Sundries* column? 451. If a customer pays his bill, less discount, in what book would you record the facts? 452. How many accounts would be affected? 453. How would

you state your proposition? 454. How could we use our money to best advantage? 455. If we pay a creditor's bill, less discount, in what book would you record all the facts? 456. How would you state your proposition in a double entry way? 457. Why do we charge cartage to *Mdse.* in one instance, to *Expense* in another? 458. What is the first account to be posted in the first Journal entry this month?

THIRTEENTH LESSON.

459. If we did not have funds enough in bank to meet our note, what would be the result? 460. In what peculiar way do we show that our account at bank is overdrawn? 461. How is the bank account often made good, temporarily? 462. Our bank account being in bad condition, what did we do to make good over-draft? 463. What would govern us in the manner of charging bank with proceeds of several notes? 464. How could we restore the bank account to its normal condition, when the overdraft was small? 465. To what account would you charge the cash paid case-maker, for boxes furnished us? 466. When would it be charged otherwise? 467. To what account would you charge the money paid in liquidation of gas-bill?

FOURTEENTH LESSON.

468. If a customer fails to pay his note when due, what would be the immediate result? 469. What would be the remote result, if we had disposed of the note? 470. What does protest mean? 471. To what account would we charge the money paid for protested note? 472. If we lend money and receive a note for it, in what book would you enter it? 473. How many accounts would be affected by the transaction?

474. What accounts would you charge with the cash advanced, and the interest made? 475. If we receive a note from our customer in renewal of his protested note, covering protest fees and interest, how would you enter it? 476. What would be the theoretical method of disposing of it? 477. Why would it be incorrect?

FIFTEENTH LESSON.

478. If a customer sends us money to pay his note before it is due, and which we had previously discounted at our bank, how would you set the matter straight on the books? 479. How would you dispose of transient customers' accounts on the Ledger?

SIXTEENTH LESSON.

480. If we had not the money to pay our note held by the bank for borrowed money, what would we do? 481. Explain how we would renew a note held by an outside party. Explain how we would renew a note at bank. 482. If we receive a check for an acceptance, what account would you credit by the money received; also by the Exchange for collecting it?

SEVENTEENTH LESSON.

483. If a customer fails and compromises by paying 40% in cash, what would become of the balance of his account? 484. What account would you charge with the 60% of his account? 485. When you return his note, in which book would you enter it? 486. If the note had been negotiated, and therefore not in our hands, it must nevertheless be included in the settlement, as we are liable as endorsers for its payment, and at maturity

we must remit the money to the place where the note is payable, to meet it. 487. Name your Debtor account, also Credit account in the entry. 488. If the travelling salesman returns and hands you $50 in cash, of the money advanced him, and also hands you his expense report, showing his expenses had been $125.00 on the trip, and that he had used $25.00 for his own private purpose, how would you adjust the matter on the books? 489 When too much money accumulates in the drawer, what would you do with it? 490. Explain the peculiar way of closing the Cash-book this month. 491. Explain how the Four-column Journal is closed.

EIGHTEENTH LESSON.

492. What must we do before closing the Ledger? 493. What do you understand by "Taking Stock?" 494. At what price would stock be figured? 495. What becomes of the inventory after preparing it? 496. What class of accounts do we dispose of first? 497. How do we dispose of them? 498. What classes are next disposed of, and how are they closed? 499. What will the speculative accounts show? 500. What will all other accounts show? 501. What is the object of closing the books? *Ans. To enable us to arrive at the true state of our business; that is, see if we have made or lost during the year, and in what shape our capital is, if we are solvent.* Books are not closed, "to mark an era in the business," as claimed by the president (?) of one of New York's business colleges, who evidently has more regard for a high-sounding phrase than for the sense it conveys. We could *mark an era in the business* without closing the books, by closing the store instead, and taking a vacation: that would be an era long to be remembered, but would by no means accomplish the result arrived at by closing the books.

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